

Public Revenue in Ohio with Especial Reference to Rural Taxation

J. D. Thewlis and J. I. Falconer



OHIO
AGRICULTURAL EXPERIMENT STATION
Wooster, Ohio

CONTENTS

Introduction	3
Federal Revenue	3
Revenue Collected by the State and Local Units of Government of Ohio ..	7
Sources of State and Local Revenue	10
Revenue of the State Government	18
Revenue of the Local Units of Government	22
Services Supplied Through the Expenditure of Public Revenue	35
Property Taxes	38
Delinquent Taxes	43
Trends in Farm Taxes	46
Summary	47

This page intentionally blank.

PUBLIC REVENUE IN OHIO WITH ESPECIAL REFERENCE TO RURAL TAXATION

J. D. THEWLIS AND J. I. FALCONER

INTRODUCTION

The first bulletin under the title "Public Revenue in Ohio With Especial Reference to Rural Taxation," by H. R. Moore and J. I. Falconer, was published by the Ohio Agricultural Experiment Station in 1928. It was revised, brought up to date, and published under the same title in 1936. Changes since that time have made it advisable again to bring the data up to date.

Fiscal policies of the State and local units of government of Ohio have undergone changes during this period. Increased State aid for schools in the form of the School Foundation Program is very significant to rural taxpayers, since it has spread educational costs over larger units of people. Substitution of legislative appropriation for earmarking of tax receipts affects adequacy of funds for certain purposes and raises questions of centralized governmental control. Classification of property and the 10 mill rate limitation appear to have stabilized property tax levies at lower levels. The growing importance of other taxes, especially the sales tax, as sources of revenue has effectively broadened the tax base by increasing the number of people contributing directly to the support of government. Several Federal agencies were created during this period to extend services to other units of government, business organizations, and individuals. As a result, Federal expenditures have been large, calling for new taxes, upward revision of old rates, and heavy public borrowing.

The practice followed in the previous bulletins, of considering public funds over a period of years, whenever possible, has been continued in this one. This practice emphasizes changes in the relative volume of various governmental funds, as well as new sources of revenue and new expenditures.

It is hoped that the information given will aid in a clearer conception of the volume of taxation, the source of the revenue, the administration of public funds, and the ultimate uses of public funds in Ohio.

FEDERAL REVENUE

Practically all units of government within the Country have been empowered by the people to collect and expend revenue. Since the various units are more or less interdependent, activities of any one unit have a bearing upon those of one or more other units. Thus, even though this bulletin deals primarily with public revenues in Ohio, it is necessary to consider Federal revenues, especially those collected and expended within the State.

For the fiscal year ending June 30, 1941, gross receipts of the Federal Government in general and special accounts (exclusive of postal receipts and certain trust funds) amounted to approximately \$8,268,000,000. Internal revenue taxes, including social security and carriers act taxes, provided 89 per cent of the receipts as follows: corporative income tax, 22 per cent; income

tax on individuals, 16 per cent; back taxes on incomes, 4 per cent (or 42 per cent of the receipts from income taxes); capital stock, estate, and gift taxes, 7 per cent; liquor taxes, 10 per cent; tobacco taxes, 9 per cent; manufacturer's excise taxes, 7 per cent; miscellaneous taxes (levies on utilities, amusement, processed oils, etc.) including stamp taxes, 3 per cent; and social security and carriers act taxes, 11 per cent. Receipts from other than internal revenue sources made up the remaining 11 per cent of the total as follows: customs duties, 5 per cent; receipts from miscellaneous sources, such as rents, royalties, fees, assessments, fines, interest, reimbursements, and the like, 6 per cent.

Actual receipts available for ordinary expenditures of the Federal Government during the 1941 fiscal year amounted to \$7,607,000,000, since approximately \$661,000,000 of the gross receipts was appropriated for the Federal Old-Age and Survivors Insurance Trust Fund. Total volume of expenditures from general and special accounts for the same period was \$12,775,000,000 generally distributed as follows: \$6,221,000,000 for general purposes (including recovery and relief); \$6,301,000,000 for national defense; \$253,000,000 for public debt retirement, transfers to trust fund accounts, and net balances of certain revolving funds. As a result, Federal expenditures exceeded net receipts by approximately \$5,168,000,000 during the 1941 fiscal year.

The United States Treasury report of the Federal internal revenue receipts from any one state is merely a record of the annual collections in that particular area. The nature of the Federal tax program makes it difficult to determine the final incidence of Federal taxes by geographic boundaries. Income taxes, as their title indicates, are levies on individual and corporate income from enterprises which may be national in scope. An excise tax on a manufacturer located in Ohio whose products are marketed over a large part

TABLE 1.—Collection of Federal internal revenue in Ohio,
selected years, 1913-1941
(In dollars)

Year*	Total	Per capita†
1913.....	25,169,597	4.99
1915.....	27,418,293	5.22
1917.....	51,340,223	9.42
1919.....	260,005,895	45.96
1921.....	285,658,533	48.54
1923.....	148,486,487	24.27
1925.....	142,497,084	22.29
1927.....	147,430,942	23.11
1929.....	142,497,218	21.73
1930.....	145,629,774	21.91
1931.....	112,931,179	16.92
1932.....	61,814,400	9.23
1933.....	69,477,801	10.33
1934.....	124,681,238	18.47
1935.....	164,079,273	24.21
1936.....	189,524,560	27.86
1937.....	269,160,406	39.41
1938.....	335,417,099	48.93
1939.....	288,245,598	41.89
1940.....	306,140,531	44.32
1941.....	421,363,846	60.77

*The Federal fiscal year ends June 30 and does not conform to the State accounting period, which is on a calendar year basis.

†Based on a simple arithmetic increase in population between U. S. Census years.
Source: Annual reports of the Secretary of the Treasury of the United States.

of the Country may be borne mainly by residents of other states. Therefore, collections of Federal internal revenue in Ohio for certain years, as presented in table 1, should not be construed as a measure of the Federal tax burden on the residents of Ohio.

Per capita collections of Federal internal revenue in Ohio increased sharply during the first world war period, reaching a high of \$64.89 in 1920. Collections contracted after the war and remained fairly stable during the next decade. The sharp drop in collections for the years 1931, 1932, and 1933 was due chiefly to the economic depression, which was generally at its worst during those years. Since that time, increased collections have resulted partially from improved business conditions, but mainly from new taxes and upward revision of old tax rates. The sharp increase in collections in 1941 may be interpreted as a prelude to further expansion, since the United States became an actual combatant in another world war at the end of the 1941 calendar year.

Statistics presented in table 2 give some indication of the volume of Federal internal revenue collections in Ohio by sources, from 1933 through 1941. The increase in volume of revenue from miscellaneous sources through 1937 should be noted, since indirect taxes on consumption goods provide a major proportion of these receipts. In other words, while income tax receipts declined during the depression years, recourse was made to indirect¹ taxes as sources of revenue. In 1940, when the volume of national income was comparable to that of predepression years, there was a shift back to the direct type of tax to provide additional funds for the defense program. This policy is reflected in the greatly increased volume of income tax collections for the 1941 fiscal year.

The annual volume of Federal aid to the State, 1933 through 1941, is presented in table 3, and table 4 gives a more detailed picture for 3 years out of the 9-year period. The year 1933 may be interpreted as fairly representative of Federal aid of prior years, in that most of the expenditures were in the form of funds granted to State-administered functions, classified in these two tables as direct payments to the State. Payments whose final distribution within the State is made under the direction of an agency administered by the Federal government have been classified as payments within the State.

With the exception of the National Guard, practically all the federally controlled agencies making expenditures within the State were originally set up as part of an emergency program to meet demands for assistance during the early part of the economic depression. While the Federal Government was willing to assume new and greater responsibilities at that time, it necessarily demanded a certain amount of administrative control in order to standardize the additional aid according to a national plan. Although the peak in payments of this type was reached during the 1939 fiscal year and the volume decreased in 1940 and again in 1941, no apparent move had been made by the end of the 1941 fiscal year to reduce the number of these temporary agencies. Any large volume of expenditures of this type has an important bearing upon the question of centralized governmental control. The shift in administrative control which accompanies a shift in responsibility for certain functions of government may alter the interrelationship of the various governmental units.

¹Indirect as to payment; i. e., these taxes usually are paid by the purchaser as part of the price of the article.

TABLE 2.—Collection of Federal internal revenue in Ohio, 1933-1941
(In thousands of dollars)

Source of revenue	1933	1934	1935	1936	1937	1938	1939	1940	1941
Federal income tax*	30,286	37,896	52,644	73,386	117,036	158,413	121,530	123,650	220,201
Miscellaneous internal revenue.	39,192	73,914	95,194	114,547	134,715	128,876	119,710	127,627	138,580
Agricultural adjustment tax		12,871	16,241	1,592					
Pay roll taxes					17,409				
Social security and carriers act taxes†						48,128	47,128	54,863	62,583
Total collections	69,478	124,681	164,079	189,525	269,160	335,417	288,246	306,140	421,364

*Includes Individual and Corporate Income Tax, Excess Profit Tax since 1934, and Unjust Enrichment Tax since 1937.

†Includes the Federal Insurance Contributions Act, Federal Unemployment Tax Act (employment of eight or more), and Carriers Act. These taxes are included under provisions of the Internal Revenue Code; therefore, receipts are reported as internal revenue collections.

Source: Annual reports of the Secretary of the Treasury of the United States.

TABLE 3.—Expenditures made by the Federal Government, under cooperative arrangements, as direct payments to the State and as payments within the State of Ohio, 1933-1941
(In thousands of dollars)

Kind of payment	1933	1934	1935	1936	1937	1938	1939	1940	1941
Direct payments to State	7,926	9,378	11,807	12,181	21,166	24,388	25,880	31,539	34,573
Payments within the State	1,475	97,223	111,305	134,731	166,775	140,685	255,352	156,901	125,461
Total payments	9,401	107,601	123,112	146,912	187,941	165,073	281,232	188,440	160,034

Source: Annual reports of the Secretary of the Treasury of the United States.

Efficiency and economy of administration, along with the social implications, are fair criteria with which to judge what unit of government should control certain functions.

TABLE 4.—Expenditures made by the Federal Government, under cooperative arrangements, as direct payments to the State and as payments within the State, Ohio, 1933, 1939, 1941

(In dollars)

Kind of payment	1933	1939	1941
Direct payments to State:			
Agricultural:			
Experiment Station	90,000	171,388	183,015
Extension work	296,328	580,121	597,586
Forestry	8,287	10,136	10,349
Federal aid for highways:			
Rural post roads	4,869,738		
Advances for emergency	2,079,240		
Highways		4,025,131	6,708,698
Ohio State University	50,000	151,284	151,284
Education of blind	3,598	8,070	5,624
Vocational education	440,926	939,173	970,718
Office of education		10,907	1,157
Home for disabled soldiers and sailors	87,896	45,142	101,035
U. S. employment service		309,897	128,968
Social Security Act		19,589,538	25,686,459
Wildlife restoration		39,017	24,500
Roads and trails			3,355
Total direct payments	7,926,013	25,879,804	34,572,748
Payments within the State:			
National Guard	1,475,553	1,969,017	2,406,372
Federal Works Agency:			
Emergency Administration of Public Works		23,887,584	8,275,707
Works Projects Administration*		201,223,088	78,362,790
Bureau of Public Roads		2,030,461	1,929,768
Public Buildings Administration			589,485
Agricultural Adjustment Administration		12,232,758	18,266,209
Farm Security Administration		4,576,558	720,954
Civilian Conservation Corps		5,979,798	4,929,000
National Youth Administration		3,453,236	6,161,894
Public Health Service			167,345
United States Housing Authority			108,556
Office of the Administrator			631,370
Office of Education, training of defense workers			2,911,969
Total payments within State	1,475,553	255,352,500	125,461,419
Total expenditures	9,401,566	281,232,304	160,034,167

*Formerly Works Progress Administration.

Source: Annual reports of the Secretary of the Treasury of the United States.

REVENUE COLLECTED BY THE STATE AND LOCAL UNITS OF GOVERNMENT OF OHIO

Total revenue collections by the State and local governments (counties, townships, school districts, cities, and villages) of Ohio were over 400 per cent greater in 1940 than in 1913, according to table 5. This rise meant an increase of about 275 per cent in collections on a per capita basis, since the population of Ohio increased by approximately 2 million people during the 28-year period.

TABLE 5.—Total and per capita revenue income of Ohio governments with relative increases, selected years, 1913-1940

Year	Revenue, dollars		Relative change (1913=100)	
	Total* (000 omitted)	Per capita†	Total	Per capita
1913.....	96,952	19.14	100	100
1915.....	105,058	19.96	108	104
1917.....	133,558	24.45	138	128
1919.....	160,428	28.34	165	148
1921.....	246,324	42.12	254	220
1923.....	285,533	47.39	295	248
1925.....	321,079	51.76	331	270
1927.....	394,858	61.89	407	323
1929.....	450,879	68.75	465	359
1930.....	462,563	69.59	477	364
1931.....	454,967	68.18	469	356
1932.....	378,834	56.55	391	295
1933.....	336,849	50.01	347	261
1934.....	356,583	52.82	368	276
1935.....	396,737	58.54	409	306
1936.....	445,904	65.54	460	342
1937.....	461,256	67.54	476	353
1938.....	447,956	65.34	462	341
1939.....	471,492	68.52	486	358
1940.....	497,092	71.96	513	376

*Municipal public service enterprises not included. These businesses collected revenue approximating \$26,940,000 in 1935, \$30,570,000 in 1937, \$30,506,000 in 1939, and \$35,149,000 in 1940, according to records published by the Auditor of State.

†Based on a simple arithmetic increase in population between census years.

Source: Annual reports of the Auditor of State, comparative statistics of counties, cities, and villages published by the Auditor of State. Miscellaneous revenue of townships and villages for 1934, 1936, and 1938 and for villages in 1940 secured from the Research Division of the Department of Taxation, and for townships in 1940 from the individual reports of the township clerks at the Bureau of Inspection and Supervision, Auditor of State. Miscellaneous revenues of townships for 1935 and townships and villages for 1937 and 1939 estimated from the representative samples of the other years.

The cost of expanded public services, the result of a greater population, accounts in part for the increase in revenues. A factor of more importance has been the tendency for people to demand new and greater services from their government. Industrial expansion and the move toward specialization in most branches of endeavor have resulted in a highly complex economic system. People have found it necessary to formulate additional rules and regulations, administered by governmental agencies, to restrict and control individual and group effort to a certain extent.

Recognition by society of its obligation to provide relief for the unemployed is an example of a new and costly public service. The development and expansion of public pension programs, greater old age benefits, more and better highways, enlarged and more complete educational facilities, increased salaries of public officials and servants—these and many other factors have increased the cost of government, and the increased cost of government has resulted in the need of collecting more revenue.

While economic progress may necessitate the formation of additional governmental agencies as mentioned, it also increases the wealth of society, making it better able to bear the burden of additional governmental costs. However, the tendency for people to retain old institutions and customs may

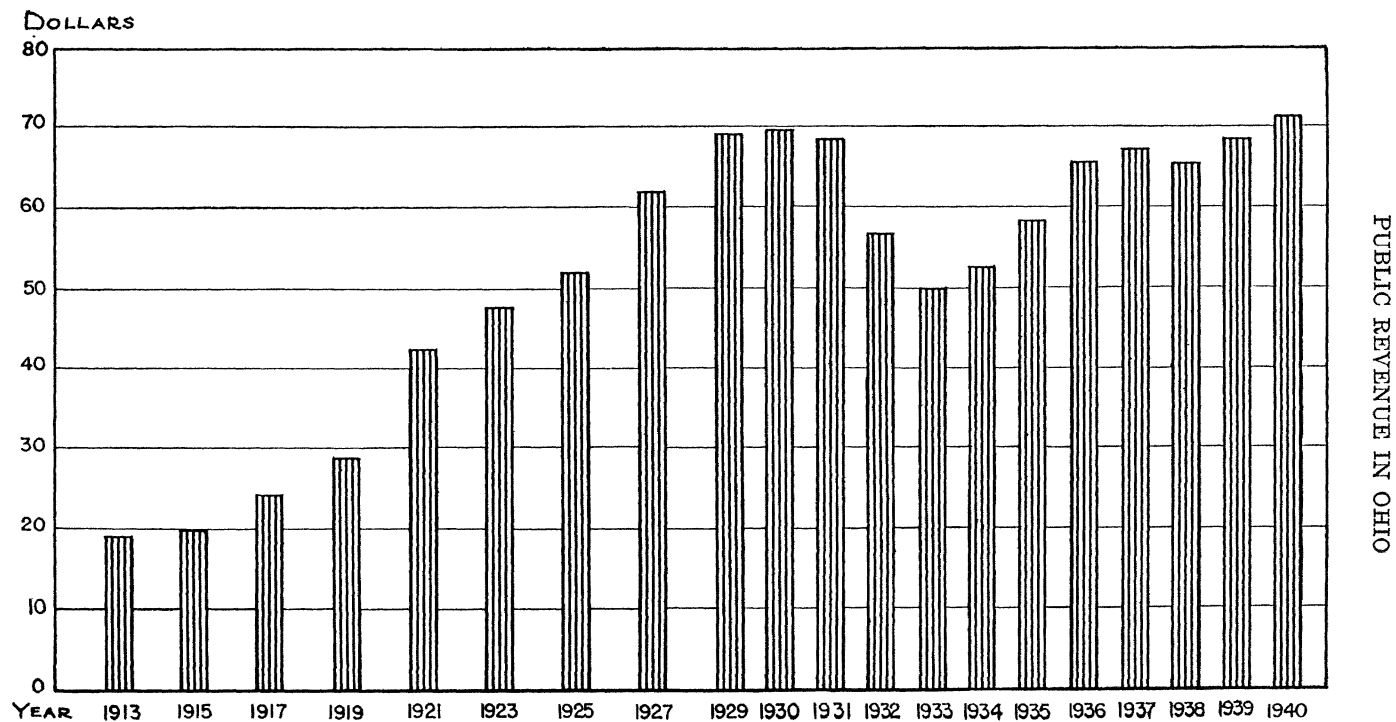


Fig. 1.—Per capita revenue income of Ohio governments, selected years, 1913-1940

increase the cost of government. Retention of agencies and units of government that no longer perform useful functions or that could operate more efficiently and economically if consolidated, and the system of taxation used to support them, discussed to some extent in the following section, may make the burden of government heavier than it should be.

SOURCES OF STATE AND LOCAL REVENUE

A tax on property is still the backbone of the revenue system of local government in Ohio. Originally, the general property tax probably was the result of the practical application of certain taxation theories. Of several theories of taxation, such as the equality theory, cost of service theory, sacrifice theory, benefit theory, and ability to pay theory, the latter two were most generally accepted as the basis on which to levy a tax. Property ownership was considered the best measure of an individual's ability to pay taxes, and, also, it was reasoned that owners of property benefited greatly from the maintenance of public services.

Ability to pay and benefits received still form a most practicable base on which to build a program of taxation. It has been recognized, however, that many people other than owners of property can, and should, pay taxes. This recognition partially explains the fact that the relative importance of taxes and special assessments on property, as part of the revenue program of State and local governments² of Ohio, declined approximately one-half from 1917 to 1940, according to data in table 6. In addition, the opposition of property owners to increases in the tax levy, and the demand for increased revenue further influenced the general shift to other types of taxes, especially those on consumption goods, as indicated in table 6 and figure 2.

Considering the revenue receipts of the State and local governments in this manner shows the shift in emphasis on kind of tax and the relative importance of the different revenue sources over a period of years. It does not, for example, show that the State government receives no revenue from levies on real estate and tangible personal property, nor the disposition of other tax receipts. Revenues will be broken down and allocated to the different units of government in so far as possible after the following discussion of the different sources of revenue in 1940.

The general property tax.—Until 1932, the general property tax in Ohio was practically synonymous with the uniform rule system which lumps all property together, regardless of form or function, and taxes it at the same rate. The classification amendment, ratified by a vote of the people in 1929, to take effect January 1, 1931, enabled the State Legislature to draft and enact into law a classified property tax, which is the basis for the current tax levies on general and classified property.

Under this new legislation, which set a 15 mill upper limitation (reduced in 1933 to 10 mills by constitutional amendment³), real estate and public utility property are taxed at 100 per cent of the true value and at rates varied to

²County, township, school district, and municipality. Included in the total property tax collections are levies made by special units of minor importance, such as the Miami, Muskingum, and Scioto Conservancy districts; park, library, and sanitation districts, and the like. Such districts possess tax-levying power on property located within their respective boundaries, but in all cases the rate is limited by statutory provision, and the taxes are levied, collected, and disbursed to the units by the regular county officials.

³Tax levies in excess of the 10 mill limitation must be approved by the voters in the taxing district.

TABLE 6.—Percentage distribution of the revenue received for State and local* government in Ohio, by source, selected years, 1917-1940

(Total revenue=100 per cent)

Year	Total revenue (000 omitted)	Property tax	Special assessment on property	State inheritance tax	Corporation fees and taxes	Public utility excise tax	Insurance company fees, assessments	Motor vehicle license tax	Gasoline tax†	Cigarette tax‡	Liquor§ and beverage taxes, permits	Retail sales and use tax	Miscellaneous¶	Federal aid**
	<i>Dollars</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
1917.....	133,558	74.97	7.42	0.50	2.08	2.82	1.29	1.31	.....	0.11	4.02	.....	5.28	0.20
1919.....	160,428	76.21	6.61	.46	2.30	3.05	1.38	1.52	.....	.12	3.20	.....	4.48	.67
1921.....	246,324	77.00	5.33	1.16	1.97	2.58	1.19	3.39	.....	.32	.....	.....	5.21	1.85
1923.....	285,533	76.44	6.31	.93	2.13	2.18	1.25	2.75	.....	.28	.....	.....	6.49	1.24
1925.....	321,079	75.24	7.73	1.23	1.75	2.30	1.37	3.73	1.10	.27	.....	.....	4.22	1.06
1927.....	394,858	67.83	7.92	1.57	1.38	1.82	1.27	2.77	3.51	.26	.....	.....	10.81	.86
1929.....	450,879	63.72	7.83	1.65	1.58	1.67	1.83	2.93	7.43	.24	.....	.....	10.25	.87
1930.....	462,563	63.50	7.72	1.62	1.49	1.41	1.43	2.99	8.38	.23	.....	.....	10.06	1.17
1931.....	454,997	61.85	6.59	2.08	1.22	1.73	1.46	2.88	9.16	.55	.....	.....	10.26	2.22
1932.....	378,834	60.12	5.57	1.19	1.14	1.54	1.75	4.78	9.62	1.18	.....	.....	11.31	1.80
1933.....	336,849	56.03	4.35	1.09	1.12	1.80	1.82	5.09	10.08	1.38	.69	.....	14.61	1.94
1934.....	356,583	55.78	4.64	.97	1.08	1.88	1.49	4.07	10.51	1.55	3.10	.....	11.11	3.82
1935.....	396,737	46.54	4.26	.84	.96	1.68	1.42	5.59	9.87	1.53	4.91	11.36	9.10	1.94
1936.....	445,904	43.19	3.48	.73	.88	2.31	1.32	5.27	9.90	1.71	6.01	12.79	8.51	3.90
1937.....	461,256	41.91	3.16	.96	.96	2.39	1.30	5.60	10.22	1.79	6.74	10.96	9.00	5.01
1938.....	447,956	43.62	2.80	1.08	1.00	1.34	1.41	5.45	10.42	1.77	6.65	8.90	10.19	5.37
1939.....	471,492	40.85	2.21	1.10	.92	2.13	1.32	5.54	10.82	1.84	6.60	9.78	10.42	6.47
1940.....	497,092	40.64	1.93	.95	.88	1.95	1.30	5.54	10.31	1.92	6.46	10.26	10.61	7.25

*County, township, school district, city, and village.

†Includes liquid fuel tax starting in 1933.

‡Includes the stamp tax starting in 1931.

§Includes profit on the State liquor monopoly after 1934.

¶Miscellaneous taxes, fees, fines, etc., of State and local governments. Receipts of townships for 1933 and 1935 and villages and townships for 1937 and 1939 estimated on basis of actual receipts and representative samples for the years 1932, 1934, 1936, 1938, and 1940.

**Includes only that part of the total Federal aid actually received by the State Treasury.

Source: Annual reports of the Auditor of State; comparative statistics of counties, cities, and villages published by the Auditor of State, records on file at the Bureau of Inspection and Supervision, State Auditor's Department; and representative samples secured from the Research Division of the State Department of Taxation.

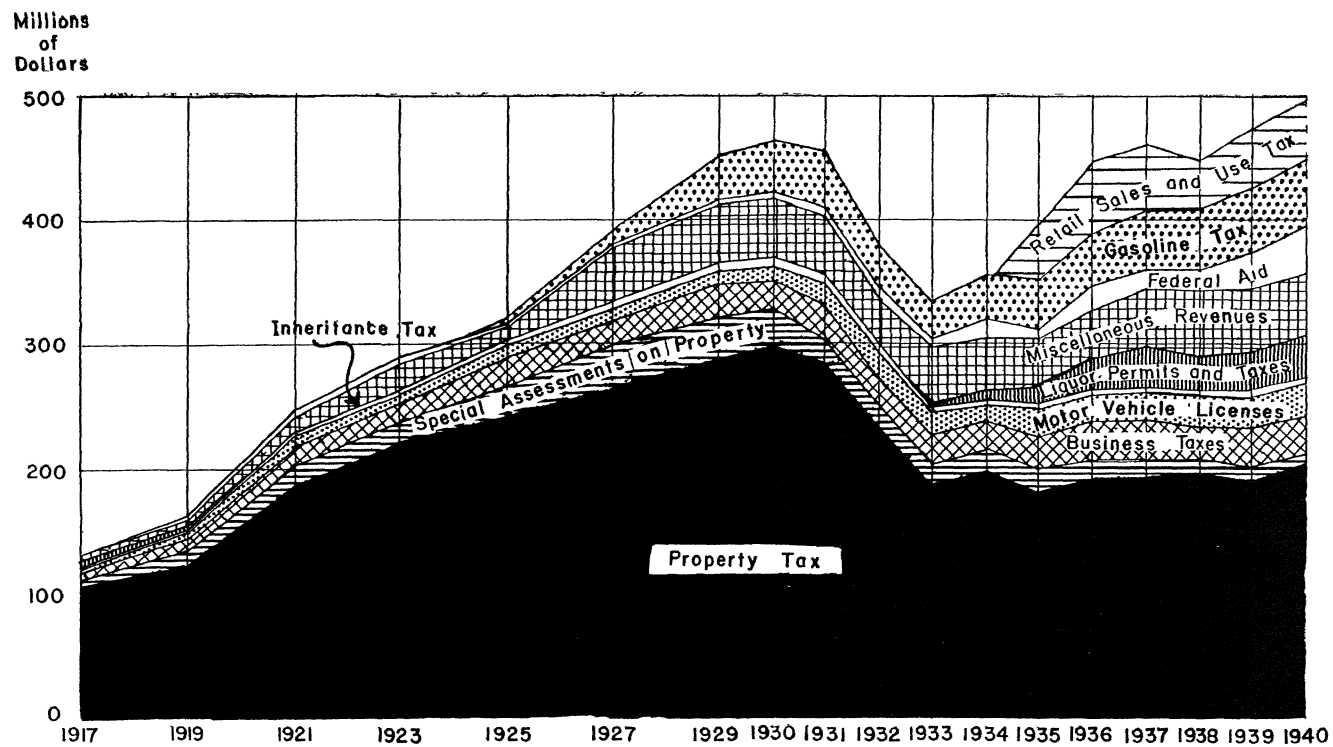


Fig. 2.—Revenue received for State and local government in Ohio, by source, selected years, 1917-1940

Source: percentage data in table 6 converted to dollars

meet local requirements. Tangible personal property is taxed at the same rate as real estate in the same taxing district but at a designated fraction of its true value. For example, manufacturing, mining, and agricultural machinery and tools are taxed at 50 per cent of their true value. Domestic animals used in the business enterprise are taxed at 50 per cent of their true value with an additional \$100 exemption, but domestic animals not used in the business are taxed at 70 per cent of their true value. Two important exemptions allowed under the classification act are household goods and motor vehicles. A higher license tax was adopted to replace the property tax on motor vehicles.

Intangible personal property is taxed at its full value under the new legislation, but at specified low rates. Examples of this type of property and the rate of taxation as of 1941 are as follows: money, 3 mills on each dollar; deposits in financial institutions, 2 mills; shares in and capital employed by financial institutions, 2 mills; shares in and capital employed by dealers in intangibles, 5 mills; capital and surplus of domestic insurance companies, 2 mills; unproductive investments, 2 mills; and productive investments, 5 per cent of the income yield.

All revenue from the levies on real estate and public utility and personal property is local in disposition; that is, it goes to counties, municipalities, school districts, and special districts. One fourth of 1 per cent of the tax on intangible property having local situs goes to the State treasury to cover the cost of administering the tax; the remainder accrues to local taxing districts. All the revenue from intangibles with state situs accrues to the general revenue fund of the State government.

Special assessments.—Special assessments have been widely used as a means of financing many local improvements. Their use has enabled governmental units to escape tax and debt limitations, to assess property exempt from general taxation, and to impose the cost of improvement directly upon those who benefit directly from it. This latter idea, of making a levy in return for a special benefit which property derives from an improvement, has been modified, according to Lutz, by general use. He would define a special assessment as “a special levy against real property to defray the cost of constructing such local improvements as the public convenience or necessity may demand, regardless of whether or not the property assessed derives therefrom a benefit equal to that cost.”⁴

Although the basis for levying special assessments may have broadened with general usage, revenues collected by local units of government in Ohio from this type of levy declined from 35.7 millions in 1930 to 9.6 millions in 1940. In all probability, increases in other tax revenues (excepting the property tax) plus the assumption by the State government of services formerly performed by local units, such as the addition of many miles of highways to the State system during this period, have resulted in a decreased demand for revenues by local units, reflected to a certain extent in lower special assessment collections.

Corporation fees and franchise tax.—Both domestic and foreign corporations pay an original fee, the former for the privilege of incorporating; the latter, for the privilege of exercising a franchise in Ohio. Besides this original fee, which is paid only once, both domestic and foreign corporations pay an

⁴Lutz, H. L. 1936. *Public Finance*. D. Appleton-Century Co., New York, N. Y. p. 303.

annual franchise tax of one-tenth of 1 per cent on the value of that portion of the capital stock which represents the Ohio share of the property and business. The revenue from the original fee and the franchise tax goes to the general revenue fund.

Insurance company fees and taxes.—Foreign insurance companies are required to pay an annual tax of 2.5 per cent on the gross premiums (less returned premiums and reinsurance) collected on risks within the State. An annual tax of two-tenths of 1 per cent is levied on the capital and surplus of domestic insurance companies as a franchise tax. Fire insurance companies pay an additional tax of five-tenths of 1 per cent on the gross premiums (less returned premiums and reinsurance) for maintenance of the office of State fire marshal. Revenue from these taxes and from additional fees collected from all insurance companies to cover the cost of State supervision accrues to the general revenue fund of the State.

Public utility excise tax.—The depression years with their demands for relief funds, and adoption of the 10 mill maximum limitation on the property tax rate were instrumental in bringing about changes in the tax rates levied on public utility companies. In 1932, a temporary increase of 1 per cent was made in the rate applying to most of the companies, to secure funds for relief purposes. A 1 per cent increase in the permanent rates was authorized by the legislature in 1934 to take effect in 1935. A new temporary levy of 0.15 per cent to 0.65 per cent, according to utility, was authorized in 1938 to replace the 1 per cent temporary levy, which expired in 1937. Table 7 gives some indication of the changes in the rates levied on these companies from 1930 through 1941.

TABLE 7.—Rates of public utility excise taxes in Ohio, 1930, 1937, and 1941

Type of public utility	Total tax rate, per cent		
	1930	1937	1941*
Steam railroads	4.00	4.00	4.00
Electric railroads	1.20	1.20	1.20
Intrastate toll bridge .....	.00	2.35	3.00
Electric light and power	1.35	3.35	3.00
Natural gas	1.35	3.35	3.00
Artificial gas	1.35	3.35	3.00
Express	2.00	3.00	3.65
Heating and cooling	1.35	3.35	3.00
Messenger	1.35	3.35	2.35
Pipe line	4.00	5.00	5.00
Telegraph	2.00	4.00	3.00
Telephone	1.35	3.35	3.00
Union depot	1.35	3.35	3.00
Water transportation	1.35	3.35	3.00
Water works	1.35	3.35	3.00
Sleeping car, freight line, or equipment company	1.35	1.50	1.50

*Includes both the regular rate of 1.20 per cent to 5.00 per cent according to utility, and the temporary rate of 0.15 per cent to 0.65 per cent levied in 1938 to extend through 1942.

Source: Material secured from the Research Division of the Ohio Department of Taxation.

The excise tax on public utility companies is an annual tax levied on the gross receipts or gross earnings from intrastate business in Ohio (receipts from business with the Federal government excluded) or, in the case of sleeping car, freight line, or equipment companies, on that portion of the capital stock representing the capital and property owned and used in the State. In 1941, from 10 per cent to 55 per cent of the receipts, according to utility, went to the county poor relief funds; the remainder went to the State.

Inheritance and estate taxes.—The inheritance tax is based upon the right of the beneficiary to succeed to his share in the estate. The rate varies from 1 to 10 per cent, depending upon the amount the beneficiary receives and upon his relationship to the decedent. The Estate Tax Law was enacted in Ohio in 1927 to take advantage of the Federal Revenue Act of 1926, which allows the State to retain 80 per cent of the proceeds. This tax is based upon the right of the decedent to transmit his estate, and the rates, therefore, are graduated according to the value of the net estate, regardless of the number of beneficiaries. The revenue from these taxes is divided; one-half goes to the local governmental unit in which it originates, and the other half to the State. The State pays the cost of administering the tax. The inheritance tax is an unstable source of revenue for local units, and the estate tax has not been a large revenue producer, since the 1926 rates are low and apply only to the net estate, that is, after the deduction of inheritance and other taxes.

Motor vehicle license tax.—Motor vehicles, with the exception of air and water craft, were removed from the property tax duplicate under the Classification Act of 1931. A new and increased schedule of annual license fees was substituted, based upon the privilege of operating motor vehicles upon public highways. Motorcycles and sidecars are taxed at a specified rate; passenger car fees are determined by horsepower; and commercial cars, busses, trucks, and trailers are rated as to weight of the fully equipped vehicle. Twenty-three per cent of the revenue goes to the State for highway maintenance and repair; 77 per cent is distributed to municipalities or counties for highway purposes.

The motor transportation (common carrier) license is an annual fee based on the privilege of transporting persons or freight by motor vehicle for hire. The license fee on both busses and trucks is determined by type of route, whether regular or irregular, and passenger capacity, in the case of busses, or manufacturers' stated tonnage capacity, for trucks. The fee on a trailer amounts to 20 per cent of the tax on the vehicle by which it is drawn. The State retains all revenue from taxes on irregular route vehicles and one-half of the regular route fees, distributing the other half to municipalities and counties on the basis of route mileage.

Gasoline and liquid fuel tax.—A tax of 2 cents per gallon of gasoline was introduced in Ohio in 1925 to produce revenue for the maintenance and repair of highways. By 1930, another 2 cents per gallon had been added for highway construction purposes. In the early nineteen thirties, the State Government, searching for additional revenue for school purposes, authorized a reduction of the gasoline tax from 4 cents to 3 cents and enacted a 1-cent liquid fuel tax, the revenue from which was to be used to aid weak school districts.

In 1941, the State gasoline tax amounted to 3 cents per gallon on sales of fuel for the propulsion of motor vehicles on public highways. An additional liquid fuel tax of 1 cent per gallon was collected on all liquid fuel sales, regardless of how the fuel was to be used. Dealers were required to pay the tax monthly on the gallonage received by them, less a 3 per cent allowance for shrinkage, etc.

The revenue from the gasoline tax of 3 cents per gallon was divided as follows: 56¼ per cent to the State; 18¾ per cent to municipalities; 16¼ per cent to counties; and 8¼ per cent to townships. The State's share of the

revenue was divided: 22½ per cent for highway maintenance and repair, 33¾ per cent for highway construction. The revenue from the 1-cent liquid fuel tax accrued 100 per cent to the State general revenue fund.

Cigarette license tax.—Cigarette dealers pay an annual fee on each place of business, amounting to \$25 retail and \$100 wholesale. The revenue is divided one-half to the State, one-fourth to the county, and one-fourth to the place of origin.

Cigarette excise and use tax.—A stamp tax of 1 cent for each 10 cigarettes or fraction thereof was levied in 1931 to raise additional funds for State aid to weak school districts. Under the provisions of the State School Foundation Program, enacted in 1935, the revenue accrued to the State public school fund. Since 1939, when the policy of earmarking many of the revenues for specific purpose was abolished, receipts have been paid into the State general revenue fund.

A use tax levied on the storage, use, or consumption of cigarettes by consumers in the State became effective March 30, 1939. This tax, which operates under conditions where the regular excise tax does not apply, is collected monthly and carries the same rates as the regular excise tax. The revenue goes to the State general revenue fund.

Admissions tax.—An admissions tax amounting to 3 per cent of the selling price of admission is levied against the total number of admissions sold by places of amusement. The receipts from this tax, less administrative costs, are used for the purpose of retiring county poor relief bonds.

Horse racing tax.—In June 1933, a pari-mutuel system of betting on horse races was legalized in Ohio and placed under the control of a State Racing Commission. Under the system in use, track operators are allowed to retain 10 per cent of all monies wagered, subject to the following tax: 10 per cent of first \$1,000; 15 per cent of next \$4,000; 20 per cent of next \$5,000; 22½ per cent of next \$4,000; 25 per cent of next \$5,000; and 30 per cent of all over \$20,000. The revenue accrues to the State general revenue fund.

Dog and kennel license.—Owners of dogs pay an annual license fee of \$1 to \$3 per dog, and operators of kennels pay a flat rate of \$10 per kennel.

The revenue accrues to local government to defray the cost of furnishing blanks, records, tags, nets, and the like, and paying the salaries of dog wardens, deputies, poundkeepers, and other employees necessary to carry out and enforce laws relating to the registration of dogs. Further, the revenues are used to pay claims for injuries to livestock (injuries to horses, sheep, cattle, swine, mules, and goats).

Liquor permits.—Each plant, warehouse, or place of business selling liquor or beer in Ohio, with the exception of State-operated liquor stores, is required to secure a permit. The fee is payable annually or by the month, depending upon the type of permit and kind of business. Permits are classified as to manufacturers, wholesale distributors, retailers for consumption off the premises, hotels, restaurants, boats, night clubs, dining cars, charities, druggists, common and contract carriers, and wholesale druggists, with one to five subclassifications under each main classification. The fees range from \$5 to \$1,000, with provisions for a sliding scale if the volume of business exceeds a certain minimum. Revenue from the sale of permits is collected by the State Department of Liquor Control and distributed to townships or municipalities of origin.

Liquor taxes.—The distribution and sale of spirituous liquor are State monopolies in Ohio, managed by the Department of Liquor Control. Any profits realized by the State from the operation of the liquor monopoly are transferred to the State general revenue fund as a liquor monopoly profit. In addition, a tax of \$1 per gallon is collected on each gallon of spirituous liquor sold. Approximately 16 million dollars accrued to the State general revenue fund in 1940, almost equally divided between these two sources.

Taxes levied on beer, wine, and mixed beverages, from which the receipts accrued to the State general revenue fund, were as follows: beer, ale, stout, etc., with an alcoholic content of over 3.2 per cent but not over 7.0 per cent, three-fourths cent for each 6 ounces or fraction thereof sold in bottles or cans, \$2.50 for each 31 gallons sold in barrels; barrel beer of less than 3.2 per cent alcoholic content, \$1.50 for each 31 gallons sold; wine and bottled mixed drinks with an alcoholic content over 7 per cent but not over 21 per cent, a graduated rate of 12 cents to \$1 for each gallon sold.

At the time this bulletin was written, receipts from two tax sources, one a levy of one-fourth cent per 6 ounces or fraction thereof of bottled and canned beverages sold, and the other of 10 cents on each gallon of brewers' wort and 3 cents on each pound of malt sold, above the cost of administration, were used to retire county poor relief bonds.

Retail sales and use tax.—The sales tax was little used in the United States before 1930, except on gasoline and, in a few states, cigarettes. As the depression continued, tax revenues from the old sources decreased rapidly, while the fiscal needs of governments increased, especially the need of providing assistance for the poor and the unemployed.

Besides the normal falling off of tax receipts during the depression, Ohio governments were faced with loss of revenue as a result of the 10 mill property tax limitation adopted in the early nineteen thirties. The State government and the local units were forced to hunt for new sources of tax revenue, with the result that selective sales taxes on certain commodities were authorized in 1933. Further, a retail sales tax was adopted in January 1935 as a temporary measure to secure additional funds for poor relief and public schools.

In theory, the sales tax is a 3 per cent coupon tax collected on the sale of tangible personal property at retail. The actual rate is 3 cents on each full dollar, with rates on parts of a dollar as follows: less than 9 cents, no tax; 9 cents to 40 cents, 1 cent; 41 cents to 70 cents, 2 cents; and 71 cents to \$1.08, 3 cents. Vendors receive a 3 per cent discount for acting as tax collectors; that is, they pay \$97 for \$100 worth of coupons, which they pass out as receipts when purchasers pay the tax at the stated rates. By making each vendor a tax collector, the State has succeeded in administering and collecting this tax at a relatively low cost.

Milk and bread were the only items of food exempted under the retail sales tax as first enacted, but a constitutional amendment which became effective November 11, 1936, exempted all foods. Since equipment used in one's business also is exempt from the sales tax, clothing and household equipment are the main items on which farmers pay the sales tax.

The sales tax has proved to be an excellent revenue producer, and although it was adopted as a temporary measure, it apparently will remain on the statute books for some time. The tax law as adopted provided that the General Assembly appropriate, out of the receipts from the tax, funds for

county poor relief and an amount for the State general revenue fund sufficient to cover the cost of administering the tax. The remainder of the receipts was divided, 60 per cent to the State public school fund and 40 per cent to the local government fund to be distributed to local units of government. Since 1939, when the practice of earmarking State tax receipts was generally abolished by the State Legislature, all receipts from the retail sales tax except an amount appropriated by the General Assembly for the local government fund have accrued to the State general revenue fund. At the time this bulletin was written, the appropriation for the local government fund amounted to \$12,000,000 annually.

The use tax is based on the storage, use, or consumption of tangible personal property. It carries the same rates as the retail sales tax and is designed primarily to supplement the sales tax by preventing tax evasion through out-of-state purchases.

Miscellaneous receipts.—The State government, as well as the local units, collects a considerable amount of revenue in the form of fees for many types of services, licenses, and permits, fines, and other miscellaneous sources. These are itemized in greater detail in later sections of this bulletin.

Federal grants.—The granting of subsidies by one unit of government to another as an aid in performing specified functions has been generally practiced for a considerable period of time. In recent years, Federal grants to the State have increased in amount and have been made for additional functions, as indicated in the first section of this bulletin.

By establishing certain minimum standards which a local unit of government must observe in order to be eligible for additional aid, the State government has succeeded in using subsidies as an effective means of gaining more centralized control over certain functions. The fact that of recent years a larger proportion of the tax revenue passes through the State treasury and that the proportion local units are to receive is determined by legislative action in some cases, facilitates the trend toward control by subsidies. The following section, dealing with funds of the State government, directs attention to this feature, namely, the manner in which local units share in receipts paid into the State treasury.

REVENUE OF THE STATE GOVERNMENT

Table 8 indicates the sources and amount of tax receipts from State-collected and State-shared locally collected taxes during the 1940 calendar year. Nearly 51 per cent of the total revenue was paid into the State general revenue fund. The annual volume of revenue passing through this fund increased sharply following the general abolishment, in 1939, of earmarking many tax receipts for special uses. As a result, funds formerly provided for various functions and services of government by earmarking receipts are now provided out of the general revenue fund by legislative appropriation. This practice provides a certain degree of protection against the possibility that as a result of fluctuations in tax yields, certain governmental agencies may have a surplus of funds, while other agencies may be suffering from a lack of operating revenue.

TABLE 8.—Sources and amount of State-collected and State-shared locally collected taxes, Ohio, 1940

(In dollars)

Tax source	State funds		Local government's share as a percentage of collection	Total
	Specific funds	General revenue fund		
Collected by State units:				
Corporation fees and franchise tax		4,373,810		4,373,810
Insurance company taxes		6,559,172		6,559,172
Motor vehicle license	7,734,267		19,194,872	26,929,139
Motor transport license	482,825		115,045	597,870
Motor fuel tax	21,169,090		16,464,848	37,633,938
Liquid fuel tax		13,629,799		13,629,799
General sales and use tax	12,000,000	38,985,342		50,985,342
Cigarette excise tax		8,679,258		8,679,258
Selective sales taxes				
Beer taxes (stamps and crown)	933,030			933,030
Malt and wort taxes	23,900			23,900
Admission and amusement tax	1,706,349			1,706,349
Beer, wine, and malt beverage tax		9,125,926		9,125,926
Gallonege tax on spirituous liquor		8,054,021		8,054,021
Liquor permit fund			6,008,396	6,008,396
Public utility excise	9,694,020	1,694		9,695,714
Horse racing tax		109,791		109,791
Collected by local units:				
Property tax (delinquent)		3,417		3,417
Inheritance tax*		2,181,894		2,181,894
Cigarette dealer's license*		448,700		448,700
Intangible excise tax (state situs)		6,775,279		6,775,279
Total	53,743,481	98,928,103	41,783,161	194,454,745

*State's share only.

Source: Report of Auditor of State, 1940.

Receipts from certain State-collected taxes pass directly to local units of government as a percentage of collection, but these units receive additional revenue in the form of distributions throughout the year from special funds. Counties and cities received \$18,421,689 from the State Poor Relief fund in 1940. Receipts from those taxes classified in table 8 as selective sales taxes and part of the revenue from the public utility excise tax accrued to this special fund. The remainder of the total disbursement, except fund balances, was provided by appropriations from the State general revenue fund. In addition, local units shared \$12,000,000 of the receipts from the general sales tax.

Revenue and nonrevenue receipts⁵ of the State government for 1940 are itemized to some extent in table 9. Slightly over 74 per cent of the revenue receipts came from taxes; 17 per cent was Federal aid; 4 per cent came from liquor profits; and 5 per cent from miscellaneous sources, such as fees, licenses, permits, rents, interest, fines, and the like, and collections from individuals and local units of government mainly for the support of inmates in State institutions.

Tax receipts returned to local units of government as a percentage of collection made up the largest item of nonrevenue receipts of the State government. The State acted more or less as a collecting agency for local units

⁵Generally speaking, revenue receipts increase the net resources of a governmental unit, whereas nonrevenue receipts usually increase the liabilities, along with any increase in the resources.

**TABLE 9.—Sources of revenue and nonrevenue receipts of
State government, Ohio, 1940**
(In dollars)

Source of receipt	Amount
Revenue receipts:	
Taxes	
General revenue fund.....	98,928,103
Specific funds.....	53,743,481
Liquor profits.....	7,946,000
Fees, licenses, and permits.....	7,035,627
Sales and charges.....	156,254
Rents and leases.....	237,326
Interest.....	250,769
Fines.....	160,513
Donations (from individuals).....	30,431
Collections from local units of government.....	216,656
Collections from individuals and local units for support of inmates in State institutions.....	1,010,906
Miscellaneous.....	83,898
Federal aid*.....	36,025,032
Total revenue receipts.....	205,824,996
Nonrevenue receipts:	
Tax receipts returned to local units of government as a percentage of collection.....	41,783,161
Sale of capital assets.....	156,161
Refunds.....	95,950
Reimbursements (recovery of pensions).....	491,843
Rotary funds†.....	10,376,792
Total nonrevenue receipts.....	52,903,907
Total receipts.....	258,807,814

*Represents that part of the total Federal aid going to the State of Ohio during the 1940 calendar year that was received by the State Treasury.

†As classified in the Auditor's report.

Source: Report of Auditor of State, 1940.

in securing their share of these tax receipts. The revenue disbursed to local units from special funds, previously mentioned, was either placed in these funds as collected and distributed by State agencies for specific purposes or made available for distribution from special funds by appropriations of the State Legislature.

Rotary funds include tax and other receipts appropriated for the purpose of refunding unnecessary revenue payments or, as in the case of the general sales tax, redeeming the stamps at a proportionate rate. Also, certain State institutions have revolving funds into which income of various kinds is paid and from which expenditures are made throughout the current year. Such funds are considered as the working capital of said institutions and have been included as rotaries.

The State acts as custodian of the funds of the Department of Liquor Control, which administers the State liquor monopoly. The 1940 financial operations of this fund have been presented in table 10 with the general idea that it is better practice to keep the financial transactions of a publicly operated commercial enterprise separate from other governmental revenues. Receipts and expenditures of the State Bridge Commission were included in table 10 as a matter of convenience. It should be pointed out that this enterprise more nearly represents a State commercial enterprise than does the liquor monopoly, since the commission has bond-issuing power and reports public ownership of rather large fixed assets.

TABLE 10.—Receipts and disbursements of Liquor Control Board and State Bridge Commission,* Ohio, fiscal year January 1, 1940, to December 31, 1940, in dollars

Item	Amount
Liquor Control Rotary Fund:	
Balance, January 1, 1940	1,220,362
Receipts, 1940 fiscal year	58,081,898
Net appropriation deductions	270,470
Net available balance	59,031,790
Disbursements:	
Salaries and wages	2,260,595
Maintenance	896,062
Purchase of liquor stock, warehouse and other charges, etc.	38,292,504
To State general revenue fund:	
Liquor profits	7,946,000
Gallage tax on spirituous liquor	8,054,021
Total disbursements	57,449,182
Balance, December 31, 1940	1,582,608
State Bridge Commission Fund:†	
Receipts, 1940 fiscal year:	
Toll revenues	877,616
Miscellaneous	4,986
Total receipts	882,602
Disbursements:	
Operating expenses	166,618
Nonoperating expenses	273,425
Total disbursements	440,043
Net profit	442,559

*State Bridge Commission created in 1935, three members appointed by Governor; as of December 31, 1940, had purchased four toll bridges: Sandusky Bay Bridge, Fort Steuben Bridge, Pomeroy Mason Bridge, and Liverpool Chester Bridge.

†Original bond issue of \$6,010,000 (\$3,875,000 issued in 1936 and \$2,135,000 issued in 1938). \$1,348,000 of original and refunded bonds had been retired, leaving \$4,662,000 in bonds outstanding as of December 31, 1940; State of Ohio obligated on these bonds only to extent of revenue from bridges.

Source: Report of Auditor of State, 1940.

The State manages several large trust funds, which have been presented in table 11. These retirement systems have been in operation since the following dates: State Teachers Retirement System, September 1, 1919; Public Employees Retirement System, January 1, 1935; and School Employees Retirement System, September 1, 1937.

One other trust, the State Industrial Commission Insurance Fund, has been in operation since 1912. The following figures taken from a report by the Industrial Commission and the Auditor's Report present a brief summary of the operation of this fund in 1940:

Employees insured	61,490
Earned premiums	\$18,124,819
Investment earnings	1,881,310
Total income for the year	\$20,006,129
Losses incurred	\$19,380,332
Per cent of losses to income	96.9
Operating expenses of the Division of Safety and Hygiene	\$143,935
Operating expenses of other divisions	\$1,198,031
Total assets, December 31, 1940	\$75,099,482

Most of the assets of the insurance fund consist of bonds of the Federal Government or of Ohio taxing districts. Only expenses of the Department of Safety and Hygiene are provided out of the premiums; the rest of the operating expenses of the Commission are provided by legislative appropriation from the State general revenue fund.

TABLE 11.—Receipts, disbursements, and balances of Public Employees, School Employees, and State Teachers Retirement System Trust Funds, Ohio, 1940 fiscal year,* in dollars

Item	Retirement system		
	Public Employees	School Employees	State Teachers
Balance, previous year	6,344,267	1,787,915	88,498,317
Receipts, fiscal year			
Contributions	4,216,963	1,122,106	5,875,809
Interest	312,911	105,083	3,920,602
Other	64,845	3,861	215,717
Total receipts	4,594,719	1,231,050	10,012,128
Total receipts and balance	10,938,986	3,018,965	98,510,445
Disbursements:			
Refunds†	543,169	54,018	1,005,841
Pensions	602,918	235,761	3,339,366
Operating expense	75,275	19,100	79,633
Other	246,515	63,420	766,818
Total disbursements	1,467,877	372,299	5,191,658
Balance, end of fiscal year	9,471,109	2,646,666	93,318,787

*Public Employees Retirement System, January 1, 1940, to December 31, 1940; School Employees Retirement System, July 1, 1939, to June 30, 1940; State Teachers Retirement System, September 1, 1939, to August 31, 1940.

†Refunds due to withdrawals and death.

Source: Report of Auditor of State, 1940.

REVENUE OF THE LOCAL UNITS OF GOVERNMENT

Taxes and special assessments on property provided a little less than 97 per cent of the revenue of local governmental units of Ohio in 1920, compared with approximately 54 per cent in 1940. In spite of this downward trend in relative importance, a tax on property still is the backbone of the revenue system of local governmental units.

Table 12 shows the relative importance of property taxes, special assessments, and miscellaneous revenue of local units of government for selected years from 1913 to 1940. Excepting the amounts going to public libraries each year, it was impossible to secure the actual distribution of receipts from intangible personality of local situs from 1934 to 1940. Receipts by counties were available, but the final distribution among the various subdivisions had not been summarized.

TABLE 12.—Percentage distribution of the revenue of the local units of government in Ohio, selected years, 1913-1940
(Total revenue=100 per cent)

Year	Total revenue (000 omitted)	Property taxes*					Intangible tax, local situs†	Special assessments				Miscellaneous revenue by all local governments
		County	Township	School district	Municipality	All local government		County	Township	Municipality	All local government	
	<i>Dollars</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
1913.....	81,374	20.14	5.61	29.30	27.14	82.19	.....	.....	.....	.....	8.46	9.35
1915.....	93,515	21.16	6.75	31.14	28.75	87.81	.....	.....	.....	.....	8.14	4.05
1917.....	112,648	21.62	7.45	30.69	26.16	85.92	.....	.....	.....	.....	8.80	5.28
1919.....	134,952	21.15	7.31	32.65	26.61	87.72	.....	1.79	0.25	5.33	7.87	4.41
1921.....	195,931	21.65	6.35	35.49	25.66	89.15	.....	1.48	.36	4.86	6.70	4.15
1923.....	232,380	17.79	5.61	40.01	24.79	88.19	.....	1.93	.36	5.47	7.76	4.05
1925.....	276,750	17.16	5.10	39.89	24.00	86.15	.....	2.45	.25	6.27	8.97	4.88
1927.....	350,714	15.28	4.00	34.50	21.66	75.44	.....	2.50	.19	6.23	8.92	15.64
1929.....	382,498	15.07	3.68	35.03	20.35	74.13	.....	2.74	.20	6.29	9.23	16.64
1930.....	383,358	15.75	3.48	35.52	20.34	75.09	.....	2.93	.18	6.21	9.32	15.59
1931.....	368,717	15.48	3.35	35.62	20.50	74.95	.....	2.53	.15	5.46	8.14	16.91
1932.....	315,520	15.16	2.77	34.29	19.32	71.54	.....	2.02	.15	4.52	6.69	21.77
1933.....	273,735	12.95	2.68	33.92	18.86	68.91	.....	1.55	.13	3.69	5.37	25.72
1934.....	296,024	12.59	2.33	29.63	18.43	62.98	2.40	1.56	.13	3.90	5.59	29.03
1935.....	326,199	10.56	1.69	22.77	17.08	52.10	2.81	1.37	.12	3.69	5.18	39.91
1936.....	361,921	9.63	1.51	21.54	16.49	49.17	2.33	1.08	.11	3.10	4.29	44.21
1937.....	363,991	9.27	1.53	21.35	15.86	48.01	3.34	1.13	.08	2.79	4.00	44.65
1938.....	344,117	9.37	1.59	23.31	16.85	51.12	3.83	1.06	.06	2.52	3.64	41.41
1939.....	360,062	8.74	1.51	22.35	16.29	48.89	2.61	.87	.05	1.97	2.89	45.61
1940.....	376,789	8.85	1.43	21.86	16.65	48.79	2.86	.77	.05	1.73	2.55	45.80

*Excepting intangible personal tax of local situs after 1933.

†Ohio public libraries have prior claim on the revenue from this tax, taking from 40 to 50 per cent annually from 1934 to 1940, inclusive. Actual distribution of the remainder was not available. The law provides that it be distributed to municipality or county, depending on place of origin, subject to any action taken by the County Budget Commission.

Source: Annual reports of the Auditor of State and the Director of Finance.

Sources of some of the receipts referred to as miscellaneous local revenue in table 12 are presented in table 13. The addition of new taxes and increased revenues have very materially increased receipts of this type in recent years. State subsidies, such as inauguration of the School Foundation Program, discussed in some detail under school finances later in this bulletin, have added to the volume of local receipts from miscellaneous sources. Other taxes, fees, licenses, fines, rents, donations, and the like also add to the total miscellaneous receipts and are pointed out in greater detail in tabular material showing the revenue receipts of counties, townships, and school districts.

TABLE 13.—Local revenue from some miscellaneous sources,
selected years, 1913-1940

(In dollars)

Year	Ciga- rette tax	Inherit- ance tax	Liquor permits and fines	Gasoline tax	Auto- mobile tax	Retail sales tax	Dog and kennel tax	Total
1913.....	.....	.....	5,852,448	.....	.....	.....	294,803	6,147,251
1915.....	33,750	123,216	2,088,401	.....	.....	.....	280,766	2,526,133
1917.....	74,024	331,698	3,756,460	.....	.....	.....	309,527	4,471,709
1919.....	93,813	367,222	3,589,271	.....	.....	.....	310,333	4,360,639
1921.....	184,487	1,429,897	170,958	.....	4,174,136	.....	345,746	6,305,224
1923.....	193,079	1,331,088	1,198,819	.....	3,932,436	.....	414,632	7,070,054
1925.....	203,158	1,971,510	1,129,605	.....	5,490,924	.....	503,458	9,298,655
1927.....	252,613	3,005,458	816,766	7,676,043	5,466,093	.....	571,353	17,788,326
1929.....	275,556	2,969,462	568,891	11,934,623	6,618,017	.....	706,913	23,073,462
1930.....	268,709	2,999,065	340,269	14,135,522	6,923,426	.....	639,452	25,306,443
1931.....	256,780	3,832,641	214,728	15,034,206	6,559,970	.....	631,495	26,529,820
1932.....	306,954	2,238,072	68,270	15,056,879	12,769,082	.....	563,403	31,052,460
1933.....	265,489	1,835,462	1,791,426	13,371,187	15,853,730	.....	528,287	33,645,581
1934.....	320,161	1,744,699	4,512,990	11,928,325	10,835,300	.....	633,153	29,974,633
1935.....	354,159	1,572,355	4,024,016	12,451,692	15,389,542	10,709,585	624,282	45,125,631
1936.....	417,737	1,701,999	4,754,397	14,051,442	16,054,262	17,921,609	689,613	55,591,059
1937.....	429,757	2,211,454	5,665,291	15,033,340	17,978,951	15,128,594	734,401	57,181,788
1938.....	427,810	2,342,094	5,728,199	14,803,195	16,955,555	10,947,575	717,330	51,921,758
1939.....	441,636	2,570,431	5,655,287	16,224,175	18,066,144	12,000,000	734,461	55,692,134
1940.....	457,658	2,160,367	6,029,303	16,464,848	19,309,917	12,000,000	735,293	57,157,386

Distribution in 1940:

Cigarette license tax: one-half to State, one-fourth to county, one-fourth to place of origin.

Inheritance tax: one-half to State, one-half to municipality or township of origin.

Liquor control permits: all to place of origin.

Liquor law fines: roughly \$42,000 collected in 1940; one-half to State, one-half to county, municipality, or township.

Gasoline tax: State, 56¼ per cent; municipalities, 18¾ per cent; counties, 16¾ per cent; and townships, 8¾ per cent.

Automobile license: 23 per cent to State and 77 per cent to municipality or county.

Retail sales tax: local units' share of receipts, \$12,000,000, determined by legislative action; divided among the counties as follows: "The ratio which the average of the real, public utility, and tangible personal property tax duplicates of the municipal corporations or parts thereof in the County during the previous five years, bears to the average of the aggregate real, public utility and tangible personal property tax duplicates of all the municipal corporations in the State during the previous five years respectively." The local subdivisions receive shares based on apportionments made by the county budget commissions.

Dog and kennel tax: all to counties.

Source: Annual reports of the Auditor of State.

County revenue.—Counties are important units of local government, especially in rural areas. County governments act as agencies of the State in certain functions, such as law enforcement, and perform many administrative functions for other governmental subdivisions. Since levying, collecting, and distributing property taxes are part of the duties of county governments, even large municipal governments are dependent upon them to a certain extent. Also, after State agencies apportion certain funds, such as the local government's share of sales tax collections, among the counties, the county budget commission determines the shares of the political subdivisions.

County revenue receipts amounted to approximately 23 per cent of the total revenue income of local units of government in 1940. As indicated in table 14, taxes on property accounted for 70 per cent of county revenue in 1926 as compared with only 40 per cent in 1940. Special assessments on property show a similar trend, declining from 12 per cent to 4 per cent during the same period. Revenue from other taxes, shown in greater detail in table 15, has increased in relative importance because of a general upward trend in receipts from motor vehicle licenses and motor fuel tax and the inauguration of a retail sales tax in 1935. State and Federal aid, mostly for relief purposes, accounts for most of the growth in revenues from other than tax sources.

Table 16 shows expenditures for operation, maintenance, and outlay by county governments over a period of years, and table 17 gives these expenditures in more detail for 1940. Counties expended approximately four times as much revenue in 1926 for construction, maintenance, and repair of highways and bridges as for purposes falling under the classification of charities and correction. In 1936, expenditures for the former were less than one-half those for the latter purpose, while in 1940, the two were practically equal. The State's adding additional mileage to its highway maintenance program in recent years probably accounts for a great deal of the reduction in county expenditures for such purposes.

The economic depression during the last decade (1930-1940) resulted in a sharp increase in the relief burden falling on county governments. Prior to that time, county expenditures for relief consisted mainly of supporting individuals in institutions, such as old people's homes, children's homes, institutions for various types of diseased persons and the like, and a small amount of direct relief, all of which can be classified as "indoor relief." During the depression and since, counties have had to provide large amounts of "outdoor relief" in the form of assistance to people able to work but unable to find employment; this demand accounts for the increase in expenditures for charitable purposes.

Township revenue.—Revenue receipts of the 1,337 township governments in Ohio amounted to slightly over 2.5 per cent of the total revenue of all local units of government during the 1940 calendar year. Summaries of township receipts and expenditures over a period of years are not available. For that reason, data in table 18 were taken from the financial records of the individual townships, and because of time and expense involved, records for 1 year only were summarized.

TABLE 14.—Revenue for county purposes in selected years, Ohio

Revenue source	Dollars, in thousands				Per cent			
	1926	1936	1938	1940	1926	1936	1938	1940
General property tax	51,644	35,531	33,372	34,187	70	39	38	40
Other taxes.....*	23,927	23,927	23,544	25,173	...	26	27	29
Special assessments..	8,777	4,238	4,120	3,508	12	5	5	4
Miscellaneous.....	13,294	27,409	26,814	23,341	18	30	30	27
Total.....	73,715	91,105	87,850	86,209	100	100	100	100

*Included in 'miscellaneous' for the one year, 1926.

Source: Comparative statistics of counties of Ohio, Auditor of State.

TABLE 15.—Sources and amount of revenue receipts in the 88 Ohio counties, 1940

Source of funds	State total	Average per county	Per cent
	<i>Dollars</i>	<i>Dollars</i>	
General and classified property tax.....	34,187,260	388,491	39.66
Special assessments.....	3,508,323	39,867	4.07
Other taxes:			
Motor vehicle tax.....	12,926,072	146,887	14.99
Gasoline tax.....	6,329,779	71,929	7.34
Sales tax.....	5,204,118	59,138	6.04
Cigarette tax.....	226,972	2,579	.26
Other tax.....	485,944	5,522	.57
Total other taxes.....	25,172,885	286,055	29.20
Licenses and permits.....	805,041	9,149	.94
Fines, costs, and forfeitures.....	273,957	3,113	.32
Fees:			
Auditor.....	1,228,466	13,960	1.43
Treasurer.....	1,161,534	13,199	1.35
Recorder.....	843,691	9,587	.98
Probate judge.....	1,152,914	13,101	1.34
Clerk of courts.....	1,814,794	20,623	2.10
Sheriff.....	375,399	4,266	.43
Miscellaneous.....	732,434	8,323	.85
Total fees.....	7,309,232	83,059	8.48
Sanitation and drainage.....	6,928	79	.01
Road funds.....	311,885	3,544	.36
Charities and correction.....	449,809	5,111	.52
Rents.....	71,557	813	.08
Interest.....	228,612	2,598	.27
Gifts and donations*.....	12,931,833	146,953	15.00
Education.....	55,495	631	.06
Health.....	407,922	4,635	.47
Agriculture.....	25,768	293	.03
Public service enterprises.....	123,096	1,399	.14
Miscellaneous.....	339,071	3,853	.39
Total receipts.....	86,208,674	979,643	100.00

*Mostly grants from the State and Federal Governments.

Source: Comparative statistics of counties of Ohio and the State Auditor's Report, 1940.

TABLE 16.—Expenditure for operation, maintenance, and outlay
by the 88 counties of Ohio in selected years

Object of expenditure	Dollars, in thousands				Per cent			
	1926	1936	1938	1940	1926	1936	1938	1940
General government	13,640	16,422	16,973	16,758	17	19	20	20
Protection to person and property.	1,600	3,422	3,749	3,661	2	4	4	4
Charities and correction	10,751	38,639	28,981	25,962	13	43	34	31
Health and hospitals .....	.....	3,868	4,052	4,771	.....	4	5	6
Sanitation and drainage.....	6,226	554	747	1,015	8	1	1	1
Highways and bridges	40,213	18,004	25,374	25,852	51	20	29	31
Agriculture	584	719	692	728	1	1	1	1
Schools and libraries .....	.....	38	67	54	.....	*	*	*
Miscellaneous	790	1,102	1,039	1,428	1	1	1	2
Interest.....	5,716	5,847	4,551	3,801	7	7	5	4
Total	79,520	88,615	86,225	84,030	100	100	100	100

*0.1 per cent.

Source: Comparative statistics of the counties of Ohio, Auditor of State.

TABLE 17.—Expenditures for operation, maintenance, and outlay,
88 Ohio counties, 1940

Function	State total	Average per county	Per cent
	<i>Dollars</i>	<i>Dollars</i>	
General government:			
County commissioners	454,022	5,159	0.54
Auditor	1,974,880	22,442	2.35
Treasurer	1,244,673	14,144	1.48
Prosecuting attorney.....	660,874	7,510	.79
Clerk of court	1,249,575	14,200	1.49
Probate judge	1,153,626	13,109	1.37
Other*	10,020,287	113,867	11.92
Total general government	16,757,937	190,431	19.94
Protection:			
Recorder	674,923	7,670	.80
Sheriff	1,873,842	21,293	2.23
Miscellaneous	1,111,783	12,634	1.32
Total protection	3,660,548	41,597	4.35
Health and hospitals	4,770,622	54,212	5.68
Sanitation and drainage	1,014,786	11,533	1.21
Highways and bridges	25,851,959	293,772	30.77
Charities and correction:			
County home	3,415,494	38,812	4.06
Children's home	2,049,697	23,292	2.44
Blind relief	997,069	11,330	1.19
Dependent and crippled children	5,227,626	59,405	6.22
Soldiers' relief and burials	1,974,688	22,439	2.35
Inmates in State institutions	700,442	7,960	.84
Outdoor relief	9,380,272	106,594	11.16
Other	601,361	6,834	.72
Correction	1,615,804	18,361	1.92
Total (charities and correction)	25,962,453	295,027	30.90
Education	54,113	615	.06
Agriculture	728,497	8,278	.87
Public service enterprises	255,431	2,903	.30
Miscellaneous	1,172,353	13,322	1.40
Interest	3,801,197	43,195	4.52
Total expenditures	84,029,896	954,885	100.00
Gross debt as of December 31, 1937	111,523,611	1,267,313	.....
Gross debt as of December 31, 1938	105,133,487	1,194,698	.....
Gross debt as of December 31, 1939	102,728,581	1,167,370	.....
Gross debt as of December 31, 1940	95,078,095	1,080,432	.....

*Available in total only.

Source: Comparative statistics of counties of Ohio and the State Auditor's Report, 1940.

TABLE 18.—Receipts and expenditures, 1,337 township governments, Ohio, 1940

Item	State total, dollars	Average per township, dollars	Per cent
Receipts:			
Property tax	4,514,598	3,377	45.1
Sales tax	448,227	335	4.5
Gasoline tax	3,416,276	2,555	34.1
Inheritance tax	175,366	131	1.8
Cigarette tax	25,805	19	.3
Liquor permits	627,033	469	6.3
Cemetery lots, etc.	199,954	150	2.0
Special assessments	76,892	58	.8
Special funds from county*	257,956	193	2.5
Miscellaneous†	264,996	198	2.6
Total	10,007,103	7,485	100.0
Funds borrowed (short term)	55,391	41	.....
Expenditures:			
General government:			
Trustees and clerks	1,676,418	1,254	16.9
Township hall	172,387	129	1.7
General supplies	115,561	86	1.2
Other	60,016	45	.6
Total	2,024,382	1,514	20.4
Fire protection	293,223	219	3.0
Hospitals and medical care	417,358	312	4.2
Special relief‡	319,394	239	3.2
Highways	6,035,893	4,515	60.9
Libraries and parks	59,935	45	.6
Cemeteries	476,774	356	4.8
Miscellaneous	205,735	154	2.1
Debt payment and interest§	76,269	57	.8
Total current expenditures	9,908,963	7,411	100.0
Debt as of December 31, 1937	878,839	657	.....
Debt as of December 31, 1938	850,380	636	.....
Debt as of December 31, 1939	986,879	738	.....
Debt as of December 31, 1940	931,327	697	.....

*Mostly Soldiers and Sailors relief.

†Includes \$5,412 of interest receipts.

‡Soldiers and Sailors, burial, etc.

§Short-term debts.

Source: Financial records of the townships as submitted to the Auditor of the State of Ohio.

By 1940, township governments were playing a very minor role in the whole picture of relief disbursements, acting only as an intermediary in distributing Soldiers and Sailors relief. Besides disbursements for general governmental functions, the main items of township expenses were highways, cemeteries, payments to hospital associations, and fire protection. Only about 25 per cent of the townships reported expenditures for fire protection, either for maintaining their own equipment or as contract payments to some other governmental unit for protection; approximately one-half of these listed expenses of \$200 or less. Only 15 per cent of the townships located in the 22 most rural⁶ counties reported expenses for fire protection, as compared with nearly 40 per cent of those located in the 22 most urban counties.

⁶On the basis of the percentage of people living outside incorporated places and the ratio of rural farm to rural nonfarm population.

School district revenue.—Revenue for school districts accounted for 36 per cent of the total revenue receipts of local governments in 1940. School expenses have tended to increase in recent years because of demand for better and more adequate facilities, better trained teaching personnel, revisions of the school curricula, promotion of health, and other services. From the point of view of the taxpayer, who must bear the burden of school finance, the School Foundation Program, inaugurated in 1935, is one of the most important pieces of legislation in recent years.

Since 1836, there has been some sort of State aid for schools in Ohio. In general, local revenues were sufficient to maintain the required school facilities, except in a few weak school districts, until the early nineteen thirties. At that time, the economic depression, coupled with, and contributing to, the property classification and 10 mill limitation legislation, greatly reduced the revenue collected by local units of government for school purposes. As a result, increased State aid was necessary to carry on the annual school program.

It was felt that the old system of State aid to weak school districts, never entirely satisfactory, would be less so under the new demands. After considerable research by a special committee, a definite plan, the School Foundation Program, under which the State could extend additional aid to schools, was passed by the State Legislature and became effective June 12, 1935. To be administered by the State Department of Education, it gave this agency authority to demand that local school boards comply with certain standards and prerequisites set up by the foundation program in order to be eligible for participation under the plan.

As operated, the program guarantees each school district meeting the initial requirements an amount for each school year equal to \$22.50 per kindergarten pupil, \$45.00 per elementary pupil, and \$67.50 per high school pupil. Certain districts receive additional amounts for transportation and as tuition payments for pupils from other districts. The per pupil allowance for schools with less than 180 pupils in average daily attendance is determined by a weighted scale of payments based on the number of pupils. One-room and two-room schools are allowed flat payments of \$1,150 and \$2,400 respectively, during each school year.

In computing the exact payment to a school district, the total of the flat distribution for each pupil is ascertained. This amounts to \$15.30 for each kindergarten pupil, \$30.60 for each elementary pupil, and \$45.90 for each high school pupil, plus any approved transportation and tuition payments. If the total flat distribution plus the receipts from the levy for school purposes (minimum, 3 mills) on the property tax duplicate of a district is equal to the State guarantee mentioned in the preceding paragraph, the district receives no additional State aid. If this sum is below the State guarantee, the district receives sufficient additional funds to make up the difference, providing the district has at least a 3 mill levy on the duplicate for school purposes and providing the total levy on the property tax duplicate is at least 10 mills.

From its inauguration to 1939, funds for the School Foundation Program were secured from the State Public School Fund, comprised of revenues collected from (1) a tax on intangibles, (2) the liquid fuel tax, (3) cigarette excise and license taxes, and (4) a percentage of the retail sales and use tax. Since receipts from these taxes were not sufficient to meet in full the annual payments guaranteed under the program previous to 1939, school districts

were authorized by the State to borrow funds in lieu of eventual payment of the subsidies. As a result, a rather large deficit was created during the first years of the program's operation.

Early in 1939, the General Assembly abolished the State Public School Fund, diverted its revenue to the State general revenue fund, and enacted provisions whereby funds for the foundation program were to be appropriated by the State Legislature at its biennial meeting. Since that time, appropriations have been sufficient to meet the amount guaranteed each year under the program. In addition, the State government has been able to reduce appreciably the deficit of previous years. Data in table 19 indicate the volume of State assistance to school districts under this plan from 1937 through the 1940 school year.

TABLE 19.—Payments guaranteed by the State to school districts under the School Foundation Program, Ohio, 1937-1940*

(In thousands of dollars)

Item	1937	1938	1939	1940
Gross amount due.....	48,868	48,935	49,105	49,183
Deductions:				
Teachers retirement	2,180	2,330	2,651	2,904
Employees retirement .....	.....	564	681	536
County board of education.....	725	762	750	764
Total deductions	2,905	3,656	4,082	4,204
Net amount due†.....	45,963	45,279	45,023	44,978

*School year ending June 30 of the year stated.

†Discrepancies between these figures and those in table 20 are due to adjustments made by the Accounting Department of the State Department of Education.

Source: Annual reports of the Director of Education.

Growth of State aid has had a direct influence upon property tax levies for school purposes, as shown in table 20. Although the relative importance of property taxes as a source of revenue receipts of school districts had decreased by 30 per cent from 1926 to 1936, the actual amount collected was 27 per cent less in the latter year.

Figures in table 21 indicate that State and Federal aid provided slightly over half the revenue of county school districts in 1940 as compared with 32 per cent in city school districts. One might conclude from these figures that State aid has resulted in a decrease in the property tax burden for school purposes, especially in rural areas.

Tables 22 and 23 were included to show the manner in which school funds were expended. In relation to total expenditures for current expenses and outlay, city school districts spent a greater proportion of their funds for purposes of instruction in 1940 than either exempted village or county school districts. The proportion going for operational purposes was very similar for all three districts. As might be expected, transportation costs were greatest in county school districts; city school districts reported less than 1 per cent spent on this item.

TABLE 20.—Income of school districts, Ohio, selected years*

Source of income	Dollars, in thousands					Per cent				
	1916	1926	1936	1938	1940	1916	1926	1936	1938	1940
Revenue:										
General property tax.....	30,211	106,120	73,197	73,434	78,440	86.0	93.8	59.9	58.0	57.9
Intangible property tax.....			4,581	1,546	1,699			3.8	1.2	1.3
Total property tax.....	30,211	106,120	77,778	74,980	80,139	86.0	93.8	63.7	59.2	59.2
State and Federal aid:										
Equalization fund.....	2,512	2,589	4,066			7.1	2.3	3.3		
School Foundation Program.....			34,568	45,693	45,878			28.3	36.1	33.9
Vocational and special classes†.....	54	673	1,142	1,371	1,529	.2	.6	.9	1.1	1.1
Federal grants‡.....			2,578	2,551	5,773			2.1	2.0	4.3
Total aid.....	2,566	3,262	42,354	49,615	53,180	7.3	2.9	34.6	39.2	39.3
Miscellaneous:										
Interest, irreducible debt.....	250	219	202	179	197	.7	.2	.2	.1	.1
Interest, depository§.....	421	1,683	370	263	227	1.2	1.5	.3	.2	.2
Rent, land and property.....		194	107	80	150		.2	.1	.1	.1
Tuition from individuals.....	775	190	343	311	371	2.2	.2	.3	.3	.3
Other miscellaneous.....	920	1,403	947	1,126	1,143	2.6	1.2	.8	.9	.8
Total miscellaneous.....	2,365	3,689	1,969	1,959	2,088	6.7	3.3	1.7	1.6	1.5
Total revenue.....	35,143	113,071	122,101	126,554	135,407	100.0	100.0	100.0	100.0	100.0
Nonrevenue										
Sale of bonds.....	9,216	9,207	6,423	5,614	2,720	74.0	60.2	28.6	12.6	17.2
Temporary loans.....	2,761	4,415	13,004	33,086	6,736	27.2	28.8	58.0	74.4	42.6
Anticipatory notes.....			313	768	1,271			1.4	1.7	8.0
Premiums and accrued interest.....			217	200	352			1.0	.4	2.2
Other||.....	469	1,675	2,483	4,830	4,749	3.8	11.0	11.0	10.9	30.0
Total nonrevenue.....	12,446	15,297	22,440	44,498	15,828	100.0	100.0	100.0	100.0	100.0
Total income.....	47,589	128,368	144,541	171,052	151,235					

*These are fiscal years ending June 30 in the year stated.

†Includes aid for physically handicapped children.

‡Federal grants other than for vocational education.

§Includes income from sinking fund investment.

||Includes receipts from sale of textbooks and property, insurance adjustments, etc.

Source: Annual reports of the Director of Education.

TABLE 21.—Income of city, exempted village, and county school districts for year ending June 30, 1940

Source of income	Dollars			Per cent		
	City	Exempted village	County	City	Ex-empted village	County
Revenue:						
Property taxes						
Current expenses	38,843,763	2,308,277	13,929,580	46.52	31.22	31.28
Bond, interest and sinking fund....	15,352,289	1,404,499	6,356,998	18.39	18.99	14.28
Delinquent 2.65 mill levy	140,282	17,137	87,189	.17	.23	.20
Local intangible.....	1,300,303	72,866	326,289	1.56	.99	.73
Total property tax	55,636,637	3,802,779	20,700,056	66.64	51.43	46.49
State and Federal aid:						
School foundation.....	23,064,050	3,074,932	19,738,696	27.62	41.58	44.33
Vocational and special classes*....	977,248	80,412	471,158	1.17	1.09	1.06
Federal grants†	2,619,328	314,622	2,838,889	3.14	4.25	6.38
Total aid	26,660,626	3,469,966	23,048,743	31.93	46.92	51.77
Miscellaneous:						
Interest						
Irreducible debt.....	44,208	16,586	136,188	.05	.22	.31
Depository‡	197,663	3,755	25,525	.24	.05	.06
Rent, land and property.....	98,899	7,692	43,667	.12	.10	.10
Tuition from individuals.....	255,297	24,134	91,098	.31	.33	.20
Other.....	594,255	69,976	478,805	.71	.95	1.07
Total miscellaneous.....	1,190,322	122,143	775,283	1.43	1.65	1.74
Total revenue	83,487,585	7,394,888	44,524,082	100.00	100.00	100.00
Nonrevenue:						
Sale of bonds.....	1,726,036	356,151	638,183	16.51	51.88	13.61
Temporary loans.....	3,970,581	180,373	2,584,886	37.98	26.27	55.13
Anticipatory notes	692,525	40,823	537,812	6.63	5.95	11.47
Premiums and accrued interest....	275,227	3,265	73,289	2.63	.47	1.56
Other§	3,788,708	105,940	854,440	36.25	15.43	18.23
Total nonrevenue	10,453,077	686,552	4,688,610	100.00	100.00	100.00
Total income.....	93,940,662	8,081,440	49,212,692	.....	.....	.....

*Includes aid for physically handicapped children.

†Federal grants other than for vocational education.

‡Includes income from sinking fund investments.

§Includes receipts from sale of textbooks and property, insurance adjustments, etc.

Source: Annual Report of the Director of Education.

TABLE 22.—Expenses of school districts, Ohio, selected years*

Expense	Dollars in thousands					Per cent				
	1916	1926	1936	1938	1940	1916	1926	1936	1938	1940
Operational expense†	29,734	91,822	98,370	104,554	109,916	65	66	70	60	68
Capital outlay	8,972	24,212	7,934	9,669	19,598	20	17	5	6	12
Interest.....	1,920	12,357	10,284	8,879	8,446	4	9	7	5	5
Total	40,626	128,391	116,588	123,102	137,960	89	92	82	71	85
Debt retirement.....	4,785	11,787	24,894	51,307	23,858	11	8	18	29	15
Grand total.....	45,411	140,178	141,482	174,409	161,818	100	100	100	100	100

*These are fiscal years ending June 30 in the year stated.

†Operation, maintenance, instruction, general control, etc., including fund transfers.

Source: Annual reports of the Director of Education.

TABLE 23.—Expenses of city, exempted village, and county school districts for year ending June 30, 1940

Expense*	Dollars				Per cent			
	City	Exempted village	County	State total	City	Exempted village	County	State total
Administration.....	2,023,148	399,697	714,607	3,137,452	2.43	5.50	1.60	2.32
Instruction.....	52,215,733	3,778,797	21,255,510	77,250,040	62.70	51.97	47.66	57.16
Operation.....	8,391,867	773,716	4,141,853	13,307,436	10.08	10.64	9.29	9.85
Maintenance.....	2,535,305	248,621	1,316,575	4,100,501	3.04	3.42	2.95	3.03
Health.....	511,316	16,649	21,418	549,383	.61	.23	.05	.41
Transportation.....	462,201	330,606	5,852,602	6,645,409	.56	4.55	13.12	4.92
Enforcement of compulsory education.....	257,469	10,467	1,346	269,282	.31	.14	†	.20
School lunches.....	159,031	24,623	131,453	315,107	.19	.34	.30	.23
Playgrounds.....	108,422	5,239	27,477	141,138	.13	.07	.06	.10
Community center.....	58,014	817	7,737	66,568	.07	.01	.02	.05
School gardens.....	43,712	.....	1,902	45,614	.05	.....	†	.03
Clothing and aids to needy.....	3,296	71	4,858	8,225	†	†	.01	.01
Public library.....	5,214	933	251	6,398	.01	.01	†	†
Other auxiliary activities.....	125,475	5,452	18,465	149,392	.15	.07	.04	.11
Teachers retirement fund.....	118,798	4,336	49,433	172,567	.14	.06	.11	.13
Other fixed charges.....	379,738	62,528	503,053	945,319	.46	.86	1.13	.70
Interest.....	5,450,808	518,585	2,476,630	8,446,023	.54	7.13	5.56	6.25
Total current expense.....	72,849,547	6,181,137	36,525,170	115,555,854	87.47	85.00	81.90	85.50
Capital outlay.....	10,433,773	1,090,366	8,073,526	19,597,665	12.53	15.00	18.10	14.50
Total.....	83,283,320	7,271,503	44,598,696	135,153,519	100.00	100.00	100.00	100.00
Debt retirement.....	15,583,193	1,048,993	7,225,636	23,857,822	.....	.....	.....	.....
Grand total.....	98,866,513	8,320,496	51,824,332	159,011,341	.....	.....	.....	.....

*Transfers of funds from other districts not included: tuition, \$157,355; payments because of boundary changes, \$2,590,995; paid to other districts for transportation of pupils, \$57,889.

†Less than 0.005.

Source: Annual Report of the Director of Education.

Since the purpose of this bulletin is to give a picture of public finance in Ohio mainly as it relates to rural taxation, no attempt is made to present a separate account of municipal revenues or expenditures. For purposes of comparison with other local units of government, it is sufficient to say that municipal revenue receipts in 1940 accounted for approximately 37 per cent of the revenue receipts of all local units of government for that year. In addition, approximately one-half of the receipts from the tax on intangible property of local situs, amounting to slightly less than 1.5 per cent of the total local governmental revenue, accrued to eligible tax-supported public libraries during the 1940 calendar year.

Debt of the local governmental units.—The taxing authority of any political subdivision⁷ has the power to issue bonds for authorized permanent improvements with a life of not less than 5 years. They cannot create or incur any indebtedness for current operating expenses, with the following exceptions: (1) bonds may be issued to pay a final judgment; (2) bonds may be issued for refund of inheritance taxes; (3) notes may be issued in anticipation of the collection of current revenues; (4) notes may be issued to provide funds in cases of emergency, such as epidemic, destruction by fire, flood, or extraordinary catastrophe, or in case of a special election called after adoption of the annual appropriations; and (5) bonds may be issued in anticipation of assessments.

TABLE 24.—Outstanding debts of local governments of Ohio in selected years
(In thousands of dollars)

Unit	1920	1930	1932	1934	1936	1938	1940
Counties.....	26,979	170,321	152,493	145,116	126,110	105,134	95,078
Townships.....	2,671	5,355	3,690	2,107	1,147	850	931
School districts..	17,261	238,601	220,848	206,005	185,407	175,438	152,262
Cities.....	150,367	482,681	480,138	443,924	416,069	397,833	394,081
Villages.....	14,113	80,381	41,431	38,081	36,655	37,052	37,221
Total.....	211,391	977,339	898,600	835,233	765,388	716,307	679,573

Source: Annual reports of the Auditor of the State of Ohio.

Figures in table 24 show the total of the funded and unfunded debt of local governments for various years. During the period from 1920 to 1930, there was a marked increase in the debt; the local units reported a total debt in the latter year approximately four and one-half times that of 1920. Since 1930, the trend has been downward; the total debt in 1940 was 30 per cent less than in 1930. One factor contributing to this downward trend has been legislation regulating the issue of bonds. For example, requiring bonds to be retired during the life of the improvement for which issued, to a certain extent places a time limit on bond issues. A much more effective time limit is the requirement that all bonds be of the serial type,⁸ excepting bonds issued by a municipality to pay for property acquired through excess condemnation proceedings and bonds issued by cities of the first class (more than 150,000 population) for certain railway purposes.

⁷Subdivision in this case refers to any county, school district except the county school district, municipal corporation, joint township hospital district, or township in the State.

⁸Serial bonds are issued under a plan which calls for a definite number or amount of bonds to mature and be paid off in full each year. Although this plan will not necessarily retire an issue of bonds any faster than the sinking fund plan, it does eliminate the possible misuse or use of the sinking fund for other purposes, especially when governmental units find themselves short on current funds.

The uniform bond act requires that new bond issues, with a few minor exceptions, be submitted to a vote of the electors. Further, the ballot must contain the following information:

- Purpose for which the bonds are to be issued
- Total amount of the bond issue
- Maximum number of years the bonds are to run
- Estimated additional tax rate expressed in dollars and cents for each \$100 of valuation, as well as in mills for each \$1 of valuation
- A statement to the effect that the additional levy will be outside the 10 mill limitation

Regardless of the pros and cons relative to a tax rate limitation law, the requirement that the voters must approve any levy in excess of 10 mills is an important factor with regard to controlling new bond issues.

The following figures indicate the average percentages of the current property tax receipts used by counties, school districts, and cities, in selected years, for debt retirement:

	1916	1926	1936	1938	1940
Counties.....	25.2	22.9	24.1	23.8	19.9
School districts.....	22.2	22.8	32.6	30.2	28.8
Cities.....	44.3	44.7	40.4	37.1	38.7

There is considerable variation between units relative to the percentage of property tax receipts used for debt retirement. For example, more than one-half such receipts were used in this manner by 41 cities in 1936, 32 in 1938, and 27 in 1940. Of the counties, 20 used no property tax receipts for debt purposes in 1936, as compared with 25 in 1940. Further, 5 counties used over 40 per cent of the property tax receipts for debt purposes and 34 counties used over 20 per cent in the former year, as compared with 2 and 19 counties, respectively, in the latter year. Thus, debt reduction directly results in more funds for current operating expenses, or in tax rate reductions if the funds are not needed.

SERVICES SUPPLIED THROUGH THE EXPENDITURE OF PUBLIC REVENUE

Table 25 was constructed to present a picture of the expenditure of public funds and the services performed by the State and local governments of Ohio for 1940. The general classification in this table includes services as follows:

- General government**—includes expenses of legislative, judicial, and general executive branches, election expenses, and expenditures for buildings and lands
- Protection to person and property**—covers cost of police, militia, sheriff's offices, fire protection, regulation of business, and the like
- Agriculture and conservation**—includes expenditures for the Experiment Station, Extension Service, Forestry Division, Conservation Department, and the like

Sanitation—mainly expenses of sewers and ditches, street cleaning, and garbage and refuse disposal

Health—includes administrative costs of the Department of Health, inspection of food, dairy products, etc., and hospital costs

Charities and correction—covers the care of dependents, insane, feeble-minded, etc., and the cost of correctional institutions

Highways—expenses of constructing and maintaining thoroughfares of travel, street lighting, and the like

Education—includes expenditures for primary and secondary education, universities and colleges, libraries, and museums

Recreation—mainly the expense of parks and playgrounds
Miscellaneous—includes payments which cannot be placed under any one of the other classifications.

With the exception of school districts, which provide one special service, each of the governmental units provides a goodly number of services. Considerable variation in the relative importance of the services, as measured by the funds expended, can be noted between units. For example, police and fire protection is a large item of expense in municipalities but is of much less importance in other units. Functions of general government require a much higher proportion of the expenditures of counties and townships than of either municipal units or the State government. In counties, judiciary costs and election expenses accounted for slightly over half of the total general governmental expenditures.

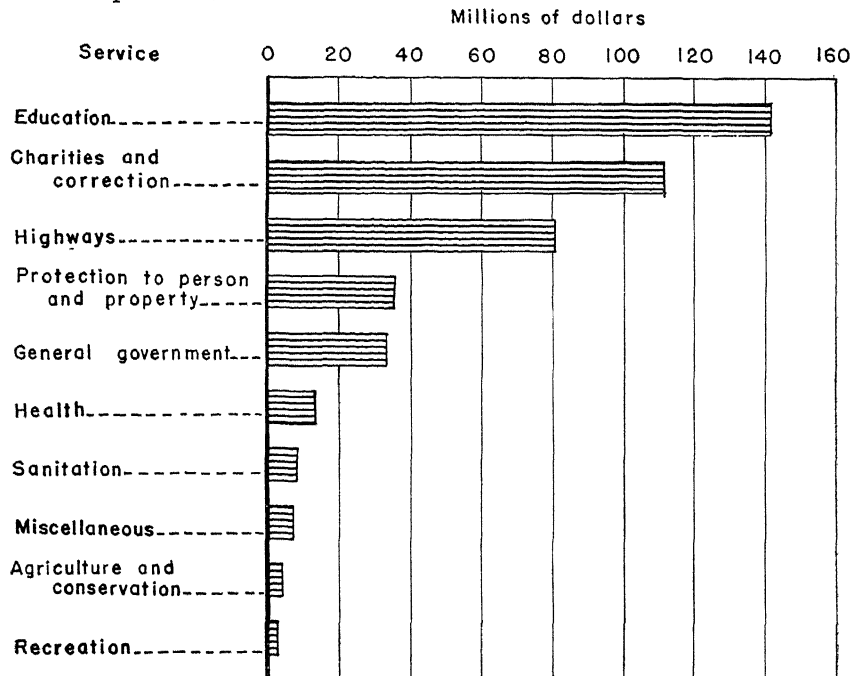


Fig. 3.—Expenditures for various services performed by the State and local government in Ohio, 1940

Source: table 25

TABLE 25.—Expenditures for various services performed by the State and local governments in Ohio, 1940*

Service	Dollars, in thousands						Per cent					
	Total	State	County	Township	School district	Municipality	Total	State	County	Township	School district	Municipality
General government	33,878	6,677	16,555	2,024	.....	8,622	7.7	4.8	23.2	21.6	.....	9.1
Protection to person and property	35,618	7,457	3,559	293	.....	24,309	8.1	5.4	5.0	3.1	.....	25.7
Agriculture and conservation	4,210	3,495	715	.....	.....	.....	1.0	2.5	1.0	.....	.....	.....
Sanitation	8,053	.....	488	.....	.....	7,565	1.8	.....	.7	.....	.....	8.0
Health	13,805	1,347	4,771	417	549	6,721	3.1	1.0	6.7	4.5	.4	7.1
Charities and correction	111,356	65,205	25,792	319	369	19,671	25.3	46.9	36.2	3.4	.3	20.8
Highways	81,038	41,427	18,129	6,036	.....	15,446	18.4	29.8	25.5	64.5	.....	16.4
Education	142,330	12,678	49	35	125,582	3,961	32.3	9.1	.1	.4	99.1	4.2
Recreation	2,763	61	.....	25	208	2,494	.6	†	.....	.3	.2	2.6
Miscellaneous	7,627	601	1,171	206	.....	5,649	1.7	.5	1.6	2.2	.....	6.1
Total	440,678	138,948	71,229	9,355	126,708	94,438	100.0	100.0	100.0	100.0	100.0	100.0

*Public service enterprises, such as water, electricity, gas, cemeteries, etc., not included. During 1940, counties reported expenditures of \$155,000 for water service; townships \$477,000 for cemetery service; and municipalities \$23,063,000, mostly for water and electric services.

†Less than 0.05 per cent.

Source: Taken from data supplied by the Research Division, State Department of Taxation.

Total expenditures of all units of government, excluding interest payments, debt retirement, and public utilities, amounted to 333 million dollars in 1934, 371 million in 1936, 400 million in 1938, and 440 million in 1940. From 31 to 33 per cent of the expenditures in each of these years was for educational purposes, 20 to 26 per cent for charities and corrections, and 17 to 20 per cent for highway purposes. If these 4 years are assumed to be representative, these three items have accounted for approximately three-fourths of the governmental expenditures since 1934.

PROPERTY TAXES

Rural and urban¹ property tax levies for the period 1913 to 1940 inclusive are compared in table 26. Owing to the Classification Act of 1931, discussed in a previous section of this bulletin, the data after 1930 include taxes levied on real estate and public utility property only. Taxes levied on tangible personal property from 1932 through 1940 are presented in table 27. Comparable figures on tangible personal property levies for 1931 were not available.

TABLE 26.—Property taxes levied in Ohio and in rural and urban territory, selected years, 1913-1940
(In thousands of dollars)

Year	State total	Rural territory*		Urban territory	
	<i>Dollars</i>	<i>Dollars</i>	<i>Per cent</i>	<i>Dollars</i>	<i>Per cent</i>
1913.....	86,825	27,519	31.7	59,306	68.3
1915.....	99,819	30,742	30.8	69,077	69.2
1917.....	125,085	34,515	27.6	90,570	72.4
1919.....	159,926	41,869	26.2	118,057	73.8
1921.....	220,012	57,684	26.2	162,328	73.8
1923.....	232,816	58,053	24.9	174,763	75.1
1925.....	261,445	60,196	23.0	201,249	77.0
1927.....	294,397	65,768	22.3	228,629	77.7
1929.....	303,230	64,794	21.4	238,436	78.6
1930.....	301,856	61,889	20.5	239,967	79.5
1931†.....	222,270	45,343	20.4	176,927	79.6
1932.....	201,345	38,658	19.2	162,688	80.8
1933.....	180,943	37,479	20.7	143,463	79.3
1934.....	150,195	28,391	18.9	121,804	81.1
1935.....	152,547	27,285	17.9	125,262	82.1
1936.....	149,990	27,523	18.3	122,467	81.7
1937.....	152,539	28,095	18.4	124,444	81.6
1938.....	154,441	28,342	18.4	126,099	81.6
1939.....	161,156	28,799	17.9	132,357	82.1
1940.....	161,989	28,887	17.8	133,102	82.2

*Tax levied in rural territory determined by applying the average rural tax rate to the total value of property located outside incorporated places.

†Data in 1931 and thereafter do not include the tax on tangible and intangible personal property.

Source: Annual reports of the Ohio Tax Commission through 1935 and reports of the State Department of Taxation thereafter.

Rural property tax levies decreased from approximately 32 per cent of the total in 1913 to slightly less than 18 per cent in 1940. If personal property is included in the latter year, the rural levy accounts for 17 per cent of the total real, public utility, and tangible personal property tax levy for that year.

¹For the sake of brevity, the area outside incorporated places is referred to as rural, and incorporated places are considered urban territory.

TABLE 27.—Tangible personal property taxes levied in Ohio and in rural and urban territory, annually, 1932-1940
(In thousands of dollars)

Year	State total	Rural territory*		Urban territory	
		<i>Dollars</i>	<i>Per cent</i>	<i>Dollars</i>	<i>Per cent</i>
1932.....	20,091	2,124	10.6	17,967	89.4
1933.....	16,296	1,708	10.5	14,588	89.5
1934.....	15,934	1,787	11.2	14,147	88.8
1935.....	14,831	1,544	10.4	13,287	89.6
1936.....	16,325	1,694	10.4	14,631	89.6
1937.....	17,363	1,887	10.9	15,476	89.1
1938.....	19,538	1,937	9.9	17,601	90.1
1939.....	19,274	2,046	10.6	17,228	89.4
1940.....	20,159	2,119	10.5	18,040	89.5

*Rural levies determined by applying the average rural tax rate to the value of tangible personal property outside incorporated places.

Source: Annual reports of the Ohio Tax Commission through 1935 and reports of the State Department of Taxation thereafter.

During the period 1913 to 1940, rural and urban population increased approximately 10 and 50 per cent, respectively. The relatively greater growth in urban population (table 28) accounts in part for the increase in the percentage of total tax levies going for urban purposes during this period. On a per capita basis, rural and urban levies were \$16.80 and \$17.30, respectively, in 1913, and \$17.19 and \$29.62 in 1940. If the levies for municipal purposes are removed from the total urban levy in the latter year, the per capita rural and urban taxes are similar, being \$17.19 and \$17.46, respectively.

TABLE 28.—Population of Ohio in rural and urban territory and in the State as a whole, selected years, 1913-1940*

Year	Population			Index of population (1913=100)		
	State total	Urban territory	Rural territory	State total	Urban territory	Rural territory
1913.....	5,064,803	3,426,988	1,637,815	100.0	100.0	100.0
1915.....	5,263,258	3,633,532	1,629,726	103.9	106.0	99.5
1917.....	5,461,712	3,840,075	1,621,637	107.8	112.1	99.0
1919.....	5,660,167	4,046,619	1,613,548	111.8	118.1	98.5
1921.....	5,848,124	4,233,390	1,614,734	115.5	123.5	98.5
1923.....	6,025,585	4,400,391	1,625,194	119.0	128.4	99.2
1925.....	6,203,045	4,567,391	1,635,654	122.5	133.3	99.8
1927.....	6,380,506	4,734,392	1,646,114	126.0	138.1	100.5
1929.....	6,557,967	4,901,393	1,656,574	129.5	143.0	101.1
1930.....	6,646,697	4,984,893	1,661,804	131.2	145.4	101.4
1931.....	6,672,788	4,996,341	1,676,447	131.7	145.8	102.3
1932.....	6,698,880	5,007,789	1,691,091	132.2	146.1	103.2
1933.....	6,724,971	5,019,237	1,705,734	132.8	146.5	104.1
1934.....	6,751,063	5,030,685	1,720,378	133.3	146.8	105.0
1935.....	6,777,154	5,042,132	1,735,022	133.8	147.1	105.9
1936.....	6,803,246	5,053,580	1,749,666	134.3	147.4	106.8
1937.....	6,829,337	5,065,028	1,764,309	134.8	147.8	107.7
1938.....	6,855,429	5,076,476	1,778,953	135.3	148.1	108.6
1939.....	6,881,520	5,087,924	1,793,596	135.9	148.4	109.5
1940.....	6,907,612	5,099,372	1,808,240	136.4	148.8	110.4

*Estimates based on an arithmetic rate of increase between census periods.

Trends in the per capita levies from 1913 through 1940 (table 29) are indicative of the taxation programs of governmental units during that period. Until the economic depression of the nineteen thirties, the general practice was to secure additional revenue, especially for local governmental units, by increasing property tax levies. As long as prices and property values were rising or at a relatively high level, property owners in general were able to bear the increased tax burden. Sharply curtailed income prolonged over a period of several years during the depression forced owners of property to seek relief in lower taxes. One very important result of this move was adoption of the 10 mill limitation in 1933.¹⁰ Shrinking property tax revenues forced taxing districts to resort to other types of taxes to secure sufficient revenue for governmental purposes. As a result, it is probably safe to assume that even though the per capita property tax levies were increasing somewhat during the last half of the decade 1930-1940, they would not return to the high levels of the nineteen twenties.

TABLE 29.—Per capita property tax levies in urban and rural territory, Ohio, selected years, 1913-1940
(In dollars)

Year	Urban territory			Rural territory
	For municipal purposes	For all other purposes	Total	
1913.....	6.98	10.32	17.30	16.80
1915.....	7.45	11.56	19.01	18.87
1917.....	8.66	14.92	23.58	21.28
1919.....	9.62	19.55	29.17	25.95
1921.....	14.00	24.34	38.34	35.72
1923.....	14.34	25.38	39.72	35.72
1925.....	16.20	27.86	44.06	36.80
1927.....	16.91	31.38	48.29	39.95
1929.....	16.37	32.28	48.65	39.11
1930.....	16.33	31.81	48.14	37.24
1931*.....	12.57	22.84	35.41	27.05
1932†.....	12.86	23.22	36.08	24.10
1933.....	11.54	19.95	31.49	22.98
1934.....	10.86	16.25	27.11	17.29
1935.....	11.11	16.38	27.49	16.59
1936.....	10.91	16.21	27.12	16.71
1937.....	9.71	17.92	27.63	16.98
1938.....	9.97	18.33	28.30	17.04
1939.....	10.68	18.72	29.40	17.21
1940.....	12.16	17.48	29.64	17.14

*Since comparable figures were not available, the data for 1931 do not include the tax on tangible or intangible property.

†Data for 1932 and thereafter do not include the tax levied on intangible property, which varied from \$1.82 to \$2.82 per capita during the 9-year period.

Source: Annual reports of the Ohio Tax Commission through 1935 and reports of the State Department of Taxation thereafter.

Tax rates and valuations.—As indicated in the preceding paragraph, the amount of the tax levied on property depends on the tax rate and the valuation of the property. Officials of taxing districts, knowing the valuation of property within the district and the fiscal needs, set a rate which will produce the required amount of revenue. Adoption of rate limitations which allow a

¹⁰Under the Classification Act of 1931, levies in excess of 15 mills had to be approved by voters in the taxing district. This limitation was reduced to 10 mills in 1933 by a constitutional amendment.

rate above a certain maximum (now 10 mills) only if approved by a vote of the people has served as a check on taxing officials. The average rates in rural territory, villages, and cities, and for the entire State are presented in table 30.

TABLE 30.—Tax rates in Ohio, levied on each dollar of valuation, 1926-1940
(In mills per dollar of valuation*)

Year	Entire state	Rural territory	City and village	City alone	Village alone
1926.....	20.65	17.31	21.88	22.10	20.59
1927.....	21.82	18.43	23.03	23.36	21.26
1928.....	21.53	18.09	22.76	23.03	21.34
1929.....	22.17	18.35	23.50	23.78	21.98
1930.....	22.44	18.29	23.83	24.03	22.30
1931.....	22.22	17.45	23.74	23.94	23.34
1932†.....	21.99	17.24	23.69	23.85	22.42
1933.....	22.42	17.33	24.29	24.52	22.50
1934.....	18.79	13.13	20.87	21.22	18.22
1935.....	19.24	12.78	21.61	22.03	18.35
1936.....	18.99	12.94	21.21	21.59	18.32
1937.....	18.60	12.72	20.76	21.10	18.24
1938.....	18.94	12.91	21.16	21.56	18.30
1939.....	19.67	13.05	22.11	22.62	18.58
1940.....	19.55	12.99	21.95	22.47	18.24

*May also be read in dollars per thousand dollars of valuation.

†Rates for 1932 and thereafter on real, public utility, and tangible personal property only; other property at reduced rates specified in the classified property tax law.

Source: Annual reports of the Ohio Tax Commission through 1935 and reports of the State Department of Taxation thereafter.

Personal property classified as intangible is taxed at rates specified under the Classification Law. Tangible personal property is taxed at the same rates as public utility and real estate in the same taxing districts, but at a stated percentage of its true value. Property owners make annual declarations of the amount of taxable personal property, and these are subject to revision by the county auditor or the State Department of Taxation. County auditors, under the direction and supervision of the State Department of Taxation, are the chief assessing officers of their respective counties for real property, which is taxed at 100 per cent of its true value. The law states that complete appraisals are to be made every 6 years (the next in 1943). County auditors are to make annual adjustments when necessary to keep property assessed at its true value. Each county has a board of revision¹¹ to hear complaints and revise assessments of real property.

Real estate values, which comprise the major part of the property tax duplicate, are presented in table 31 for the State as a whole and for rural and urban territory. These data indicate that general economic conditions after 1930 had a depressing effect on property values. Relatively speaking, tax values in rural territory were reduced roughly 10 per cent more than values in urban territory during the period in question.

One of the problems of property taxation has been to secure a fair return of all types of property on the tax duplicate. With real property and certain forms of personality which are difficult to conceal, most taxing units have

¹¹Comprised of the county treasurer, county auditor, and the president of the board of county commissioners.

been fairly successful, but much personal property, especially intangible, is never declared, and, consequently, escapes taxation. One of the primary purposes of the Classification Act of 1931 was to secure a greater return of personal property, especially intangible.

TABLE 31.—Tax valuation of real estate in rural and urban territory and for the State as a whole, with relative changes, 1926-1940

Year	Valuation (In millions of dollars)			Relative change 1926=100		
	Rural	Urban	Total	Rural	Urban	Average*
1926...	2,309	6,851	9,160	100	100	100
1927.....	2,312	7,049	9,361	100	103	102
1928.....	2,306	7,109	9,415	100	104	103
1929.....	2,247	7,278	9,525	97	106	104
1930.....	2,128	7,248	9,376	92	106	103
1931.....	1,834	6,554	8,388	79	96	92
1932.....	1,706	5,976	7,682	74	87	84
1933.....	1,497	5,126	6,623	65	75	72
1934.....	1,494	5,092	6,586	65	74	72
1935.....	1,493	5,069	6,562	65	74	72
1936.....	1,494	5,057	6,551	65	74	71
1937.....	1,573	5,279	6,852	68	77	75
1938.....	1,580	5,247	6,827	68	77	75
1939.....	1,593	5,275	6,868	69	77	75
1940.....	1,602	5,344	6,946	69	78	76

*Weighted arithmetic average.

Source: Annual reports of the Ohio Tax Commission through 1935 and reports of the State Department of Taxation thereafter.

That this was accomplished is indicated in table 32. In 1930, before classification, personal property made up 18 per cent of the total property duplicate, compared with 49 per cent in 1940. Specified reduced rates on intangibles no doubt played an important part in the sharp increase in the amount of this type of property returned for taxation.

TABLE 32.—Valuation of real estate, public utility, and personal property in Ohio, 1930, 1935, and 1940

Type of property	Dollars, in thousands			Per cent		
	1930	1935	1940	1930	1935	1940
Real estate	9,325,361*	6,562,362	6,945,671	69	47	43
Public utility	1,704,350	1,368,030	1,341,166	13	10	8
Personal property:						
Tangible	1,555,876	754,680	989,390	12	5	6
Intangible	867,360	5,302,041†	6,863,629†	6	38	43
All property	13,452,947	13,987,113	16,139,856	100	100	100

*All real estate less \$50,775,100 public utility property not used in operation.

†The reported income from productive investments was capitalized at 6 per cent to arrive at a value figure.

Source: Annual reports of the Ohio Tax Commission in 1930 and 1935; report of the State Department of Taxation in 1940.

Taxes levied on the different types of property in 1930 and after classification, in 1935 and 1940, are shown in table 33. In spite of the greater amount of personal property returned under the classified scheme, the relative

importance of each type of property as a revenue producer has shown little change. Apparently, the greater amount of personal property returned for taxation just about compensates for the lower rates on intangibles and the shift from true value to a percentage of true value as a basis for taxing tangible personal property. In other words, classification of property for taxation has not resulted in shifting the burden of the property tax from real estate to other types of property. The reduction in the amount of taxes levied on real estate is due to reduced valuations, lower rates, and a shift to the use of other types of taxes in order to secure revenue for governmental purposes.

TABLE 33.—Taxes levied on real estate, public utility, and personal property in Ohio, 1930, 1935, and 1940

Type of property	Dollars, in thousands			Per cent		
	1930	1935*	1940*	1930	1935	1940
Real estate	209,259	126,259	135,788	69	69	68
Public utility	38,247	26,288	26,201	13	14	13
Personal property						
Tangible	34,896	16,325	20,159	12	9	10
Intangible	19,471	14,447	17,369	6	8	9
Total tax	301,873	183,319	199,517	100	100	100

*The average real estate and public utility property tax rate for each of these 2 years was applied to the respective valuations to determine the amount of tax levied on each type of property. Since the duplicate shows a greater percentage of public utility property than real estate located outside incorporated places, where the average tax rate is lower, the actual amount of tax levied on the former probably was less than indicated in the table.

Source: Annual reports of the Ohio Tax Commission in 1930 and 1935; report of the State Department of Taxation in 1940.

DELINQUENT TAXES

Tax delinquency on real estate and public utility property, by county, in 1930, 1935, and 1940 is presented in table 34 and figure 4. Expressed in mills per dollar, these data can also be interpreted as dollars per thousand of assessed value.

Some of the variations between counties in extent of delinquency are undoubtedly the result of differences in the administrative policy and efficiency of taxation officials. Overdue taxes are similar to any other unpaid bill. An aggressive collection program with adequate prosecution of delinquent taxpayers may be the difference between a low and a high proportion of delinquency in adjacent areas.

Most of the relatively serious delinquency exists in the semi-industrialized or more urbanized sections of the State. Population pressure in urban areas, with the corresponding demand for greater services, has resulted in tax rates which are high in proportion to income, a condition which leads to tax delinquency. In addition, delinquent taxes in urban territory sometimes result from the small returns during the early life of a new real estate development. In some cases, these developments fail entirely and the taxes on the property remain unpaid for some time.

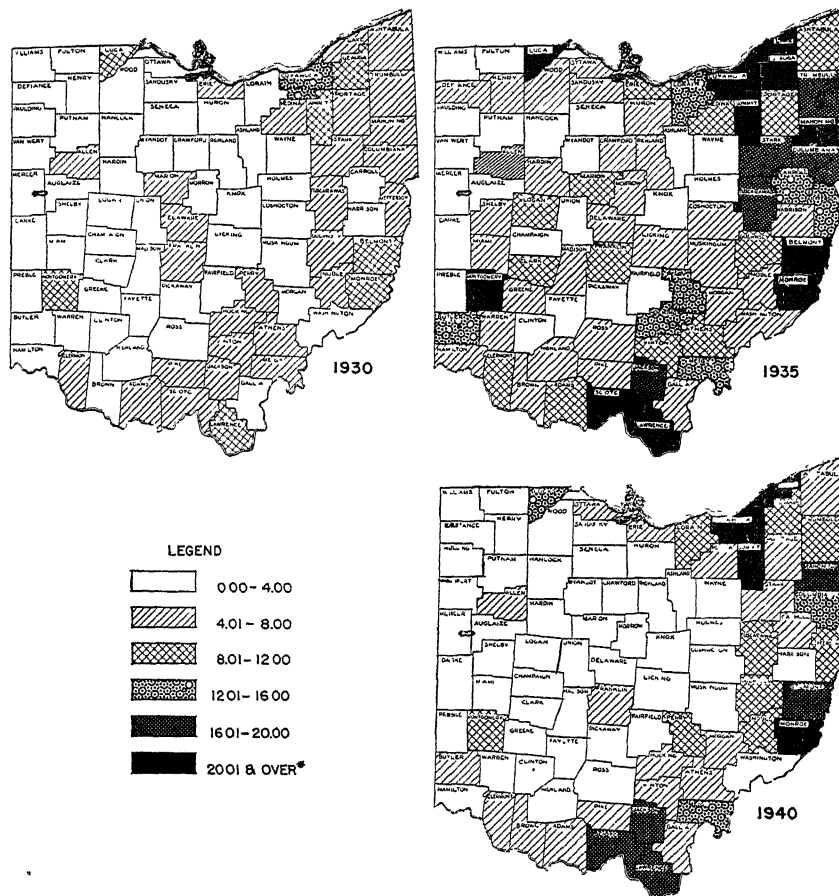
Southeastern Ohio is one exception to the statement that tax delinquency is more severe in industrialized or urbanized sections. In this area, delinquency is associated with land that is graded as marginal or submarginal for agricultural uses. In agricultural areas of good land, tax delinquency is not a serious problem at the present time.

TABLE 34.—Distribution by county of the delinquency on real estate and public utility property, Ohio, 1930, 1935, and 1940

(Delinquency expressed in mills per dollar of assessed value)

County	1930	1935	1940	County	1930	1935	1940
Adams	4.61	8.15	5.14	Licking	2.23	5.15	2.55
Allen	4.72	16.02	7.52	Logan	2.35	8.70	3.81
Ashland	1.40	3.15	1.54	Lorain	3.51	15.44	8.83
Ashtabula	6.12	10.48	4.45	Lucas	11.89	23.38	12.12
Athens	7.04	10.73	7.83	Madison	3.16	4.73	1.78
Auglaize	1.08	3.19	1.01	Mahoning	6.17	25.62	17.66
Belmont	9.58	25.47	17.50	Marion	4.18	9.28	3.07
Brown	2.36	5.02	5.88	Medina	4.11	10.59	4.91
Butler	3.28	12.61	4.95	Meigs	7.29	14.01	14.73
Carroll	1.33	13.71	5.98	Mercer .....	.99	2.72	.67
Champaign	1.24	2.81	1.22	Miami .....	.96	4.89	1.62
Clark	1.88	8.58	3.41	Monroe	10.45	22.66	22.72
Clermont	4.47	9.77	4.67	Montgomery	11.13	27.88	11.16
Clinton	3.12	2.66	1.17	Morgan	2.99	5.15	4.11
Columbiana	5.84	19.78	13.76	Morrow	2.07	4.44	2.39
Coshocton	2.36	4.82	1.87	Muskingum	2.75	5.69	3.53
Crawford	1.54	5.66	2.80	Noble	4.80	7.39	9.42
Cuyahoga	15.46	26.33	22.30	Ottawa	3.08	5.42	4.35
Darke	1.15	3.10	.71	Paulding	3.09	3.13	1.39
Defiance	2.18	4.59	1.39	Perry	6.19	15.07	8.57
Delaware	5.13	6.42	3.45	Pickaway	2.36	3.63	2.42
Erie	7.33	10.04	6.14	Pike	7.56	7.24	5.02
Fairfield	1.34	2.79	1.35	Portage	4.02	9.69	6.21
Fayette	1.92	3.04	1.04	Preble	1.62	3.34	1.06
Franklin	4.40	9.81	4.28	Putnam	1.43	2.67	1.11
Fulton	1.87	3.39	.93	Richland	1.69	4.27	1.79
Gallia	3.28	7.10	4.49	Ross	1.92	4.20	2.51
Geauga	8.18	22.49	11.46	Sandusky	1.81	4.77	2.28
Greene	2.40	4.93	1.48	Scioto	6.88	21.03	19.05
Guernsey	5.04	11.99	8.57	Seneca .....	.91	3.56	1.50
Hamilton	1.93	4.38	3.42	Shelby .....	.64	4.37	1.61
Hancock	1.32	3.42	1.56	Stark	4.85	17.23	7.85
Hardin	1.07	5.67	2.07	Summit	8.59	27.18	20.97
Harrison	3.05	5.12	3.73	Trumbull	4.55	18.10	10.88
Henry	1.28	5.57	2.52	Tuscarawas	6.40	19.59	10.43
Highland	3.76	5.91	3.00	Union	2.75	3.28	1.36
Hocking	7.04	14.45	6.32	Van Wert .....	.68	1.59	.52
Holmes .....	.69	1.57	1.53	Vinton	7.87	8.18	5.73
Huron	3.03	4.91	2.50	Warren	1.95	4.44	2.40
Jackson	7.90	18.51	19.35	Washington	1.11	4.75	2.14
Jefferson	5.00	15.20	10.59	Wayne	1.56	3.82	1.66
Knox	1.32	2.94	1.12	Williams	1.06	1.72	.55
Lake	6.34	24.33	23.32	Wood	2.34	6.35	1.72
Lawrence	10.87	21.18	19.69	Wyandot	1.24	2.32	1.28

Source: Annual reports of the Auditor of State and the Department of Taxation.



*Maximum of 27.88 mills in Montgomery County in 1935 and 23.32 mills in Lake County in 1940

Source: Table 34

Fig. 4.—Distribution by county of the delinquency on real estate and public utility property, Ohio, 1930, 1935, and 1940 (delinquency expressed in mills per dollar of assessed value)

Generally speaking, unpaid special assessments tend to be more serious in areas of relatively high tax delinquency. In 1940, unpaid special assessments, both current and of former years, averaged \$4.14 per thousand dollars of real and public utility property tax valuation for the State as a whole. If the eight largest counties¹² are eliminated, removing the largest urban communities, the average is \$2.86 per thousand dollars of value. With few exceptions, unpaid special assessments, like tax delinquency, are not serious problems in rural territory.

¹²Largest on the basis of real estate and public utility property values for taxing purposes. In 1940, these eight counties accounted for 58 per cent of the total value on the duplicate, 68 per cent of the total taxes levied on this type of property for collection that year, and 77 and 71 per cent, respectively, of the current and accumulated delinquent taxes and unpaid special assessments.

TRENDS IN FARM TAXES

Ohio rural property taxes, which for all practical purposes can be considered farm property taxes, and prices of farm products are presented in table 35 in index form for each year, 1881 to 1941, inclusive. For the first 40 years of this period, taxes and prices farmers received were not far out of line. From 1921 through 1934, farm taxes were high in relation to farm income, owing, until 1930, to heavy tax levies and thereafter, to low prices. By 1935, reduced property valuations and tax rates and higher prices brought the two indexes more nearly in line, where they remained with little fluctuation through 1941.

TABLE 35.—Index numbers of Ohio rural property taxes and prices of farm products, 1881-1941

(1914=100)

Year	Taxes*	Prices of farm products	Taxes in terms of prices	Year	Taxes*	Prices of farm products	Taxes in terms of prices
1881.....	60	95	63	1911.....	95	86	110
1882.....	61	83	73	1912.....	87	101	86
1883.....	64	80	80	1913.....	92	100	92
1884.....	67	70	96	1914.....	100	100	100
1885.....	69	65	106	1915.....	101	101	100
1886.....	69	69	100	1916.....	131	115	114
1887.....	69	77	90	1917.....	129	173	75
1888.....	70	68	103	1918.....	131	193	68
1889.....	69	64	108	1919.....	142	208	68
1890.....	67	73	92	1920.....	170	202	84
1891.....	69	70	99	1921.....	197	126	156
1892.....	61	70	87	1922.....	216	120	180
1893.....	64	72	89	1923.....	210	128	164
1894.....	64	63	102	1924.....	217	127	171
1895.....	64	61	105	1925.....	220	151	146
1896.....	64	52	123	1926.....	232	148	157
1897.....	62	55	113	1927.....	232	140	166
1898.....	63	60	105	1928.....	234	147	159
1899.....	65	61	107	1929.....	238	144	165
1900.....	68	68	100	1930.....	236	122	193
1901.....	69	69	100	1931.....	225	85	265
1902.....	66	75	88	1932.....	161	60	268
1903.....	66	72	92	1933.....	147	66	223
1904.....	75	71	106	1934.....	126	85	148
1905.....	75	75	100	1935.....	100	105	95
1906.....	78	78	100	1936.....	98	112	88
1907.....	83	86	97	1937.....	100	122	82
1908.....	85	86	99	1938.....	104	98	106
1909.....	94	93	101	1939.....	106	90	118
1910.....	95	94	101	1940.....	108	94	115
				1941.....	110	115	96

*Amount due for collection in year designated.

Source of tax data: annual reports for 1880 to 1912 of the Auditor of State and annual reports for 1913 to 1931 of the Ohio Tax Commission. Part of these data was originally assembled by O. M. Johnson and published in the Ohio Agricultural Experiment Station Bimonthly Bulletin, November-December, 1925, under the title, "An index number of farm taxes in Ohio, 1881-1924, inclusive." Data for 1932 through 1941 taken from the index of rural taxes (taxes levied on rural real estate and tangible personal property) kept by the Rural Economics Department of The Ohio State University.

Source of price data: index numbers of Ohio farm products prices, J. I. Falconer, currently published in the Ohio Agricultural Experiment Station Bimonthly Bulletin on a base 1910-1914=100; the base for use in this table was shifted to 1914=100.

Any further reductions in property tax levies will depend on future debt commitments, administrative economy of local governmental units, and the amount of revenue from other tax sources. As long as the 10 mill rate limitation remains in the State Constitution, any large increase in property tax levies will come only as the result of an upward revision in property valuation for taxing purposes.

Since the property tax is the main source of revenue of local units of government, greater State and Federal aid relieves some of the pressure for increased revenues from this source. Financial aid of this sort means that other types of taxes are producing a greater share of public revenues and that the costs of certain public services are spread over larger units of taxpayers. In other words, taxes on what the farmer consumes and on his income may form a very important part of the index of farm taxes in the future.

SUMMARY

In recent years, all units of government have been forced by popular demand to extend their activities into more and more fields of public service. Only through a knowledge of the source, amount, and use of public revenue will a citizen be able intelligently to evaluate and judge the desirability of such trends.

Collections of Federal internal revenue in Ohio were approximately 25, 286, 62, and 421 million dollars, respectively, in 1913, 1921, 1932, and 1941. Expenditures made in Ohio by the Federal Government were over 9, 146, 281, and 160 million dollars, respectively, in 1933, 1936, 1939, and 1941. The former figures point out how revenue collections are affected by war conditions and an extreme economic depression; the latter show what happens to governmental expenditures when there is a demand for increased governmental services.

Total revenue collections by the State and local governments of Ohio were over 400 per cent greater in 1940 than in 1913. On a per capita basis, this was a 275 per cent increase due to population growth during that period. While social and economic advancement and population pressure have resulted in demands for more public services, they have also increased the wealth of society, making it possible for people to pay relatively heavier taxes.

In 1917, taxes and special assessments on property produced 82 per cent of the total revenue of the State and local governments of Ohio, and no other single tax accounted for as much as 5 per cent. In 1940, property taxes and special assessments produced 43 per cent of the total; the gasoline and retail sales taxes produced more than 10 per cent each; and liquor and beverage taxes and motor vehicle licenses each produced over 5 per cent of the total revenue. These figures emphasize the introduction and growing importance of taxes other than those on property in the revenue picture of Ohio governments.

Of the total revenue receipts of local governmental units in 1940, municipalities received 37 per cent; school districts, 36 per cent; counties, 23 per cent; townships, 2.5 per cent; and tax-supported public libraries, 1.5 per cent. State and Federal aid accounted for approximately 39 and 15 per cent, respectively, of the receipts of school districts and counties.

From 1920 through 1930, when interest rates were relatively high, the total debt of all local units of government of Ohio more than quadrupled in amount. During the following decade, 1931 to 1940, a period generally of decreased revenues and cheap money, the debt was reduced approximately one-third. In too many cases, governmental units lack a well-planned financial program. They tend to borrow money freely at high interest rates, a practice which brings a heavy debt burden, especially when revenue receipts are declining.

Exclusive of interest payments, public utilities, and debt retirement, expenditures by all units of government for educational purposes, charities and correctional services, and highways accounted for 32, 25, and 18 per cent, respectively, of the total funds disbursed in 1940. No other single service required as much as 9 per cent of the total. These three items have accounted for approximately 75 per cent of the total annual expenditures since 1934, ranging from 31 to 33, 20 to 26, and 17 to 20 per cent, respectively, each year.

Per capita property tax levies in rural and urban territory more than doubled during the 15 years prior to 1930, reaching \$39.95 and \$48.29, respectively, in 1927. As a result of reduced valuations and lower rates during the nineteen thirties, the amount of taxes levied declined considerably. In 1940, the rural and urban levies were \$17.14 and \$29.64, respectively, with the latter reduced to \$17.48 per capita if the levies for purely municipal purposes are removed from the total urban levy.

Since the Classification Act of 1931, a far greater amount of intangible personal property has been returned for taxation, but as a result of the specified lower rates on this type of property, there has been little change in the relative importance of each type of property as a revenue producer.

Income declined much faster than property tax levies during the first half of the 1930-1940 decade, a condition which caused an increase in property tax delinquency during that period. By 1940, the amount of delinquency had declined considerably, although it still was bad in some areas, especially certain urban districts. Excepting southeastern Ohio, delinquency was not a serious problem in rural areas at the time this bulletin was written.

In 1935, taxes on farm property were at the 1914 level, while prices of farm products were 5 per cent above the 1914 level. Since that time, the index of prices farmers receive has been more nearly in line with the index of farm property taxes, and the upward trend in the price index in 1941 continues through 1942.

Trends in the farm property tax index will depend on several factors. The constitutional rate limitation requiring approval of the voters in a taxing district for property tax rates in excess of 10 mills has so far served as an effective check on increased rates, and it may continue to do so. In addition, other sources of revenue, such as the retail sales tax, have been excellent revenue producers for several years and, assisted by extended State and Federal aid, have borne a greater share of local governmental costs. On the other hand, pressure for increased revenue from property taxes may become heavy, especially if the war cuts heavily into the revenue yield of other tax sources. One thing would seem certain—income tax levies will comprise an important part of the total tax bill of the future, which will be spread over a far greater number of individuals than it was formerly.